AN ANALYSIS OF THE ECONOMIC IMPACT OF PHYSICAL IMPROVEMENTS ON RETAIL SALES

by

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ABSTRACT

Architectural or historical significance is rarely the primary motivation for the rehabilitation of historic commercial buildings. More commonly today, economic feasibility is the prevailing factor that determines the future of historic downtown buildings. Although there are traditional methods to evaluate the economic impact of preservation activities and the feasibility of proposed improvement projects, there is no established method to evaluate the economic impact of physical improvements on retail sales.

The purpose of this thesis was to explore one of the prevailing, yet unresolved, questions involving downtown design today -- Do quality improvements have a positive impact on retail sales?

A qualitative research design was selected that, although limiting in sample size, allowed in-depth exploration of the impact of physical improvements and common related factors that influence business performance. The research involved six downtown businesses that had implemented physical improvements and were willing and able to provide actual cost and sales data before and after the improvements.

The six case studies represented five types of businesses located in six cities with populations ranging from 5,000 to 40,000 in four different states.

Based on an analysis of the data, the most significant findings are:

- After implementing quality physical improvements, businesses consistently experienced "above average" sales performance:
  - All businesses experienced an increase in the annual percentage increase in gross sales the year after improvements;
  - A majority sustained an increase in the average annual percentage increase in gross sales for a period of time after improvements; and

- A majority experienced an increase in sales after improvements above their own business's average before improvements and above the performance of other local businesses for the same period (as indicated by trends in local sale tax revenue).

- All businesses experienced intangible benefits and favorable customer response following the improvements.

- Two-thirds of the business owners stated that the physical improvements significantly impacted the increase in sales.

- And finally, all business owners were personally satisfied with the improvements and considered the improvements worth their investment.

Based on these findings, one may conclude that there is a high probability that quality physical improvements will have a positive, recognizable impact on business performance -- including an increase in gross sales.

TABLE OF CONTENTS

LIST OF ILLUSTRATIONS

ACKNOWLEDGEMENTS

The owners of the businesses featured in each case study, who will remain anonymous, deserve recognition as the primary source of data, without which this research would not have been possible. I extend my sincere respect and appreciation for their willingness to share proprietary information for the potential benefit of others.

I owe a debt of gratitude to the state Main Street coordinators, architects, and local downtown managers who responded to my requests and provided assistance in identifying potential case studies and data collection.

As the leading expert on the topic of economics and preservation, Donovan Rypkema's willingness to serve as an unofficial advisor and a sounding board, is appreciated to a degree beyond expression. His continual support and guidance was instrumental in the design of the research for this thesis and an inspiration throughout the project.

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And finally a special thanks to my husband Mike for his patience and support, without which this project would have never been possible.

DEDICATION

To William Gaines Jontz [1959 - 1994]

a gentle soul, dear friend, and respected colleague who shared a passion for old buildings, downtowns, and Kansas, and whose memory is a great source of inspiration.

CHAPTER 1

INTRODUCTION

Ideally, all historically, architecturally, socially, and culturally significant buildings would be preserved as representative of a period of time. However, economic feasibility is often the prevailing factor that determines the future of historic commercial buildings.

It is generally accepted that physical appearance - the image projected - has a direct impact on the ability to attract investment. This belief is illustrated by beautification efforts in commercial centers and physical improvements on vacant properties and individual buildings.

Following is a review of the established methods to monitor the economic impact of preservation programs and activities, determine the feasibility of proposed improvements, and project the impact of physical improvements on municipalities.

Local, state, and national preservation organizations frequently evaluate the economics of preservation by comparing the costs of new construction to renovation costs and by tracking private investment and jobs created as a result of building rehabilitation projects. According to the National Trust for Historic Preservation, "Since 1980, the Main Street program has generated more than $2.9 billion in physical improvements and produced 20,389 net new businesses and more than 64,000 net new jobs in over 850 communities. The Investment Tax Credits for Rehabilitation of Historic Structures have stimulated more than $16 billion in private investment resulting in the rehabilitation of 25,000 historic buildings. Commerce Department data shows that $1 million spent on rehabilitating an older building creates five more construction jobs and three more permanent jobs than does $1 million spent on new construction."[1]

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[1]Moe, Richard, "President's Note," Historic Preservation. 46 (July/August 1994), 6.

Typically, the feasibility of individual building improvements is evaluated in terms of return on investment (ROI) through pro-forma analysis. This method approaches buildings as real estate and projects the value of that real estate based on its income producing potential.[2]

Municipalities often use a methodology called fiscal impact analysis to assess the net benefits of proposed new development. This process involves comparing estimated direct and indirect costs of the development (infrastructure, public safety and school resources, etc.) to estimated direct and indirect benefits (jobs creation, tax revenue, induced effect of new wages, etc.).[3] Because the rehabilitation of historic buildings has little or no impact on infrastructure needs, public safety, school resources, etc., this method is rarely used to project the impact of proposed improvements to existing buildings.

Although there are these traditional methods to evaluate the economic impact of preservation programs/activities and the feasibility of proposed improvements, there is no established method to evaluate the economic impact of physical improvements on the sales of a business making improvements.

In The Economics of Historic Preservation: A Community Leader's Guide, Donovan Rypkema presents 100 arguments supporting the common sense economics of historic preservation. Argument #93 addresses the relationship between physical appearance and image, he states "Buildings are again being recognized as a physical reflection of the goods and services being sold. When the image to be projected is one of quality of goods, quality of service, intimacy, reliability, stability, and personal attention, historic structures suit that

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[2]Rypkema, Donovan, "Rehabilitation and Pro Forma Analysis," Main Street Guidelines (Washington, D.C.: National Trust for Historic Preservation, 1987).

[3]Burchell, Robert, The Practitioner's Guide to Fiscal Impact Analysis (New Brunswick, N.J.: Center for Urban Policy Research, 1985), 3-7.

image well."[4] Even though it is generally accepted that image (including physical appearance), affects the ability to attract investment -- primarily through the impact on investor perception or confidence, this concept is rarely extended to retail businesses in regard to their ability to attract customers and thereby influence sales. As a result, the difficult question remains -- do quality, visible, physical improvements have a positive impact on retail sales?

There is virtually no literature on this specific topic. However, a small number of studies have examined this issue. In 1986, the University of Wisconsin Extension Service conducted a study involving 89 Wisconsin retail businesses that made facade improvements during the previous five years. The study asked retailers if their sales had improved since making the improvements and if they attributed increased sales to the physical improvements. Sixty-four percent of the business owners surveyed thought the exterior improvements had a positive influence on their retail sales.[5]

To evaluate the economic impact of storefront improvements, Main Street West Virginia conducted a survey of thirty-six businesses that completed facade improvements. Similar to the Wisconsin survey, business owners were asked if they experienced an increase in sales following the improvements and, if sales did increase, what was the percentage of the increase. Seventy percent of the businesses surveyed reported varying increases in sales.[6]

A 1994 Survey of the Economic Impact of Interior and Exterior Improvements conducted by the New Mexico Economic Development Department documented similar results in New Mexico Main Street

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[4]Donovan D. Rypkema, The Economics of Historic Preservation: A Community Leader's Guide (Washington D.C.: National Trust for Historic Preservation, 1994), 96.

[5]Dick, Robert N., Bruce H. Murray, and Ayse Somersan, Economic Effects of Storefront Improvement: A Report of a 1986 Study Of Wisconsin Retail Businesses Which Had Made Facade Improvements During the Previous Five Years, (Madison, WI: Cooperative Extension Service, 1986).

[6]West Virginia Main Street, Survey of: The Economic Impact of Storefront Improvements, 1993.

communities. Over ninety percent of the businesses surveyed indicated favorable customer response and owner satisfaction with the renovations.[7]

The results of each one of these studies support the belief that physical improvements have an impact on sales. However, due to the proprietary nature of sales data, the survey results relied primarily on the opinions of business owners rather than actual sales data. With the exception of the Wisconsin study, the studies did not address the issue of the quality of the physical improvements. Therefore, business owners and downtown revitalization professionals alike, are still seeking confirmation that quality physical improvements do have a positive impact on retail sales.

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[7]Donovan D. Rypkema, The Economics of Historic Preservation: A Community Leader's Guide (Washington D.C.: National Trust for Historic Preservation, 1994), 95.

CHAPTER 2
METHODOLOGY

This chapter provides a description of the process used to conduct this research. It consists of an overview of the research design, including the basic assumptions and limitations, and identification of the actual steps taken to collect and analyze the data.

Phase 1 - Research Design

Preliminary Investigation

The first step toward designing a study to examine the economic impact of physical improvements on retail sales was review of existing research on the topic. The next step was implementation of a preliminary study involving two downtown businesses. The results of the preliminary study allowed identification of the major challenges impacting the validity of this type of research and ultimately served as the basis for the research design.

Basic Assumptions, Limitations and Threats to Validity

The first issue comprising a significant threat to the ability to generalize the results of this study was the size of the sample. The availability of data was the primary challenge affecting the sample size.

- **Threshold parameters for eligibility of businesses to participate** -- Ideally, the case studies for this research project would have involved downtown retail businesses that have made quality physical improvements and are willing to share the cost of improvements and sales data before and after implementation of the improvements. Due to the difficulty of finding a sufficient number of businesses that met this 'ideal' model, downtown businesses that moved to a new location or changed the size of their business in conjunction with physical improvements were also included in the study. Situations in which owners made

physical improvements when opening a new business could not be included in the study because there is no established sales base for comparison.

- **Anonymity of participants, and confidentiality of data** -- This research relied totally upon the willingness of business owners to share proprietary cost and sales data, which many business owners are unwilling or reluctant to provide. All participants were guaranteed anonymity of their responses and confidentiality of their data in the manner adhered to in this study.

Accepting the small size of the sample, the six case studies varied significantly in general profile characteristics -- business type, length of time in business, size of business, geographic location, and size of business -- thus providing a rationale for the extension of the results to other situations.

A second issue was the representativeness of the sample to the entire population. There is no question that the process for identifying and selecting the case studies established a bias toward an "above average" downtown business district and an "above average" downtown business.

- **Selection bias** -- The coordinators and architects of statewide downtown programs were the primary source for identification of potential case studies. This process established bias on two levels. First, the state contacts are most likely to recommend examples in communities that they are, or have been actively working with to improve their downtown. This means that the community is actively pursuing some form of downtown improvement efforts and therefore, it could be presumed that if successful, the downtown might be more economically viable than in a community not so engaged. Furthermore, it was not surprising when all case studies noted the presence of historic character in their downtowns and a high, or increasingly high level, of design activity. This could predispose communities to an increased level of awareness and appreciation of the physical environment and therefore, possibly enhance the potential impact of physical improvements. Similarly, the recommendation of a specific business within a given community could reasonably be assumed to be the "best of the best." State representatives would naturally want to put their best foot forward, to showcase their best case scenario therefore, one must presume the businesses participating in the case studies to be representative of

outstanding, rather than "average" downtown businesses. This potential bias is reinforced by business owners' responses to the motivation for implementing the improvements and the intangible benefits received from the improvements. Several owners cited a demonstration of their commitment to, and pride in, downtown and the community as a motivation for making the improvements and further noted personal and community pride as a benefit of the improvements. Such attitudes illustrate a level of personal involvement and leadership that may not be typical of all business owners.

The third issue that had to be considered regarding the ability to generalize the results of this study to other situations, was the quality of the physical improvements. While an analysis of whether varying quality of physical improvements results in varying degrees of impact on sales would indeed be an interesting research topic, it was not a goal of this study. In an effort to mitigate the impact of obvious variables, the quality of the physical improvements in each case study needed to be of a consistent level.

- **Predisposition to high quality physical improvements** -- The majority of the sources for potential case studies are directly involved at a state or local level with the National Main Street Center, affiliated with the National Trust for Historic Preservation. The foundation of the Main Street Program is historic preservation and economic development in the context of historic preservation. By utilizing the coordinators and architects of state downtown programs as a source for potential case studies, the selection process was, in itself, predisposed to a high level of quality in the physical improvements and the "appropriateness" of the improvements to the historic and architectural character of the building. Although recognition of the economic value of authentic architectural and historic character is becoming increasingly common, such awareness should not be assumed to be "typical".

- **Quality threshold for physical improvements** -- To further assure a consistent level of quality in the physical improvements, the improvements in each case study were informally reviewed utilizing the Secretary of Interior Standards and Guidelines for Rehabilitating Historic Buildings. Only those case studies in which the improvements were consistent with the Standards were included in the study.

The final issue regarding the design of the research was the challenge of isolating the impact of the physical improvements. Preliminary exploration of case studies revealed that many business owners who implement quality exterior improvements, also make other changes in their business operations. Such changes might include interior improvements, expansions in inventory, improved merchandising, shifts in business hours, etc. Therefore, one challenge in examining the economic impact of physical improvements is isolating the impact due specifically to the physical improvements when other changes were implemented concurrently.

- **Identification and acknowledgement of concurrent changes in business operations** -- A qualitative approach using a limited number of case studies allowed identification and exploration of additional factors related to the impact of physical improvements on retail sales. Concurrent changes in business operations were surveyed in each case study and acknowledged in the results.

The following actions were taken to conduct this research project.

Phase 2 - Data Collection

Identification of Case Studies

- Mailed personal letters and made follow-up phone calls to the directors and architects of 36 statewide downtown revitalization programs describing the research and requesting assistance in identifying potential case studies.

- Contacted a representative for each potential case study by phone to confirm their willingness to participate.

- Identified the known parameters in each case study and determined the appropriateness of inclusion in the survey.

Survey Instrument

- Developed survey instruments (Appendix).

- Conducted a pre-test of survey instruments.

- Obtained university approval for having met the Federal Health and Human Services Department's guidelines for research involving human subjects.

Survey of Case Studies

- Sent survey and cover letter to the contact for each case study and made follow-up phone calls to non-respondents.

- Reviewed completed survey forms, identified issues needing clarification.

- Finalized list of questions for follow-up interviews.

- Conducted follow-up phone interview on each case study.

- Collected outstanding (sales tax data, photos) through other sources as possible.

Phase 3 - Summary of Individual Case Studies

Threshold

- Reviewed the facade improvements in each case study using the Secretary of Interior Standards and Guidelines for Rehabilitating Historic Buildings.

- Made final determination regarding inclusion.

Business Improvements

- Described and illustrated scope and cost of physical improvements.

- Identified and described concurrent changes in business operations.

Analysis of Cost and Sales Data

- Calculated occupancy costs as a percentage of gross sales before and after improvements.

  Occupancy costs -- Occupancy costs is the term used to collectively refer to the annual expenses that a business incurs in order to occupy a space. Elements included in the occupancy costs are: rent, property taxes, building insurance, utilities, building maintenance, and cost of improvements. A set of assumptions were necessary to assure that occupancy costs reflected the cost of improvements in a manner to allow comparison among the case studies.

  Impact of the Use of Financial Incentives -- Several of the case studies used financial incentives (local/state grant or low-interest loan programs or Federal Investment Tax Credits for the Rehabilitation of Historic Commercial Structures). Typically local/ state loan and grant programs do not cover the entire project costs and loans are for a short period of time, thus requiring refinancing at the end of an initial three or five year period and/or conventional financing for a portion of the project costs. The actual savings as a result of incentive programs and tax credits vary in part, on a business owner's personal financial situation. Due to the difficulty of accurately representing the varying terms of individual incentive programs, the occupancy costs in this study do not reflect the value of the financial incentives used in individual case studies.

  Cost of Improvements -- The method of financing the cost of improvements varied with each case study. Some business owners paid for a portion, or the total cost, of improvements up-front. Regardless of the method of payment, debt service was consistently estimated based on the cost of improvements to allow equal comparison of the impact of the improvements on occupancy costs in each case study. It was assumed that each business owner borrowed the total cost of improvements at 10% interest for a period of ten years. This method of estimating the cost should represent the worst case scenario and therefore overestimate the costs, because most businesses do not finance the total cost of improvements and might have more favorable terms. In addition, this method reflects before tax costs -- it does not account for individual tax implications such as depreciation of the cost of the improvements, investment tax credits for the cost

of improvements, or deductions for the interest paid on financing the improvements.

- Calculated the annual percentage increase in gross sales the year after improvements.

  Increase in gross annual sales after improvements -- To most accurately assess the impact of the physical improvements on sales performance and to compare the data on various businesses, the annual percentage increase in gross sales, rather than the dollar amount of gross sales volume, was used as the basis for comparing sales performance before and after improvements.

- Calculated the average annual percentage increase in gross sales for a period after improvements.

  Sustained increase in sales after improvements -- To explore the long-term impact on sales performance, the average increase was examined for a period of years after improvements. The number of years for which data were available varied in each case study.

- Compared the average annual percentage increase in gross sales after improvements to the businesses' average before improvements and the average annual increase in local sales tax revenue for the same period after improvements.

  Significance of the sales increase -- In order to evaluate the significance of an increase in sales after improvements, the average increase was first compared to the individual business' former sales history (average annual percentage increase in gross sales before improvements).

  In an attempt to further assess the significance of the resulting increase in sales, local (city or state) sales tax revenue was used as an indicator of trends in the local economy. Local sales tax data reflect the economic situation of the state or city and not specifically, the downtown business district, but it is the most appropriate measure available at this time. In an ideal research situation, the performance of businesses that made physical improvements would be compared to the performance of similar businesses that made no improvements (a control group) in order to evaluate the significance of an increase in sales after improvements. Since this was not feasible, local sales tax revenue was determined to be the most appropriate base of

comparison for further evaluating the significance of a business' increase in sales after improvements.

- Summarized cost and sales data and prepared charts illustrating each performance indicator.

Descriptive Analysis/Summary

- Described general profile characteristics of business, downtown, and community.

- Described owner's response regarding the impact of the improvements.

Phase 4 - Analysis/Conclusions

- Compared results of individual case studies and summarized cumulative results of all case studies.

- Conducted analysis: interpreted cost and sales data, identified common factors and consistent trends, and explored relationships between performance indicators and other variables.

- Summarized findings; identified conclusions and further considerations based on an interpretation of the findings.

CHAPTER 3

CASE STUDIES

This chapter includes a summary of each case study. The data were provided by the owners of the businesses featured in the case studies and supplemented in some instances, by the state or local downtown directors.

Case Study #1

General Description

Case Study #1 is a retail shoe store located in a downtown business district in a midwestern community with a population of approximately 11,000.

The downtown boasts a National Register Historic District and several downtown buildings individually listed on the National Register of Historic Places. A streetscape beautification program was implemented in 1992 to enhance the public space downtown. An established merchants' association coordinates the downtown improvement efforts. A low-interest loan program provides financial incentives for building improvements and there is a high level of activity with 12-15 recent improvement projects.

The shoe store has been in business for 44 years. The business owner rents the building occupied by the business. In 1988, the property and the business owners implemented substantial physical improvements to the building. The primary motivation for the improvements, according to the business owner, was a desire to "grow" the business, to bring things up-to-date, and to be a leader in the improvement of the downtown business district.

Building/Business Improvements

Scope of Physical Improvements

The project was comprised of major facade improvements, roof repair, and extensive interior remodeling. The facade improvements involved removal of a shake shingle awning and large projecting sign, repair of upper level windows, repointing the brick, installation of a new storefront more in keeping with the original character of the building, restoration of a leaded glass transom, and installation of a new canvas awning and business signs (Figure 1). In addition, improvements to the rear facade included installation of a new door and window repairs to provide customers with convenient access from a parking lot behind the building.

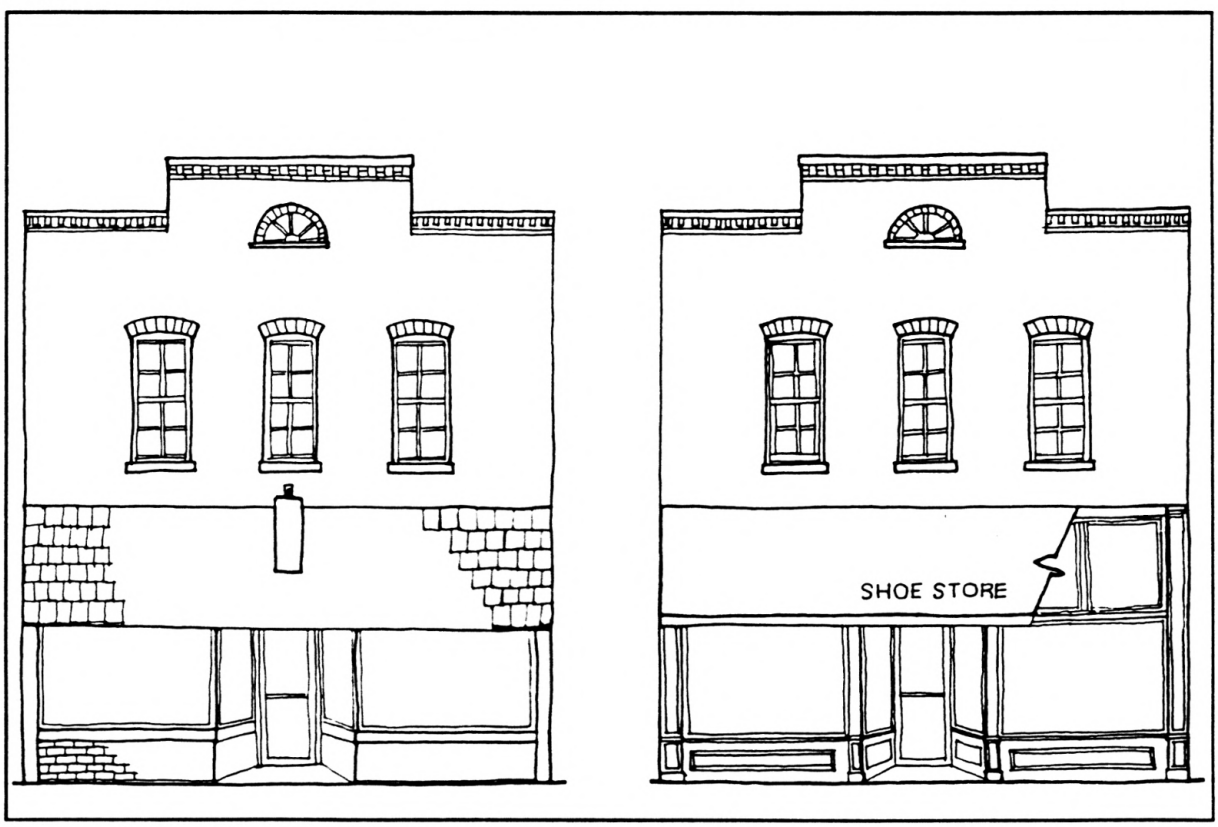

Figure 1 Sketch of Building Before and After Improvements

Cost of Physical Improvements

The total cost of the physical improvements was approximately $50,000. The property owner paid for the exterior improvements -- 20% of the total costs -- and the business owner paid for the interior improvements -- 80% of the total costs. (Figure 2)

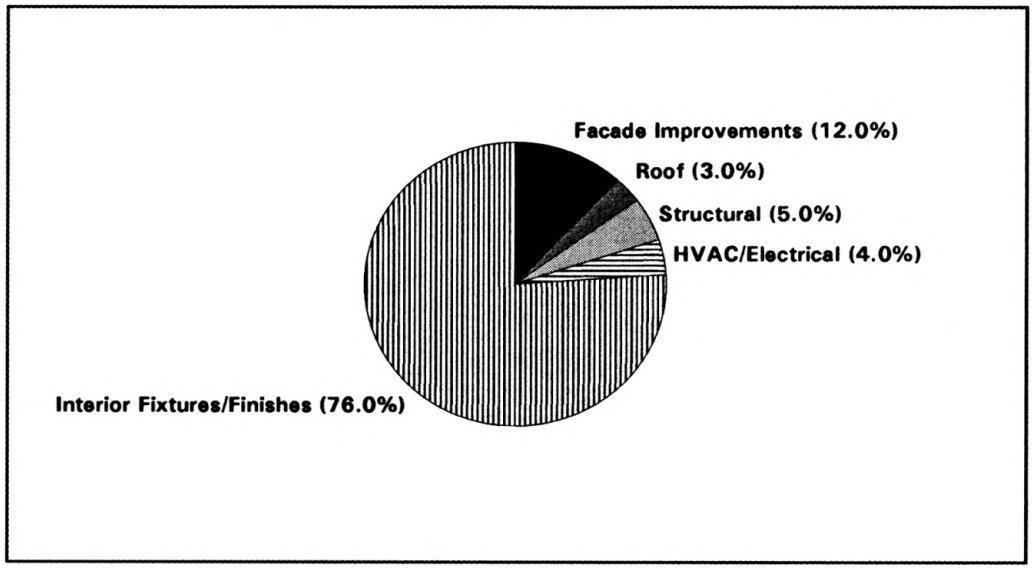

Figure 2 Scope and Cost Distribution of Physical Improvements

Concurrent Business Improvements

In addition to the physical improvements, the business owner implemented significant changes in business operations at the same time. The owner "improved everything - updating the image and operation of the business." The concurrent business improvements included:

- Merchandise Lines/Inventory -- including higher priced lines consistent with the newer environment and image;
- Merchandising Layout/Displays -- presenting an up-to-date image;
- Marketing/Advertising -- including direct mail and a biannual newsletter;
- Business Hours -- extended to 8:00 p.m. Monday - Friday; and

- Services Offered -- including computer enhancements that allow the business to operate more efficiently and keep better customer purchase records.

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements (Figure 3)

	1987 - BEFORE IMPROVEMENTS	1989 - AFTER IMPROVEMENTS
Square Footage	4000	4000
Rent	$ 3,630	$ 6,170[8]
Property Taxes[9]	$ 2,108	$ 2,384
Building Insurance	$ 1,551	$ 2,766
Utilities	$ 3,692	$ 4,398
Building Maintenance	$ 634	$ 1,437
Debt Service on Improvements[10]	-----	$ 6,343
Total Annual Occupancy Costs	$ 11,615	$ 23,498
Gross Annual Sales	$334,233	$376,743
Annual Occ.Costs as % of Sales	3.48%	6.24%

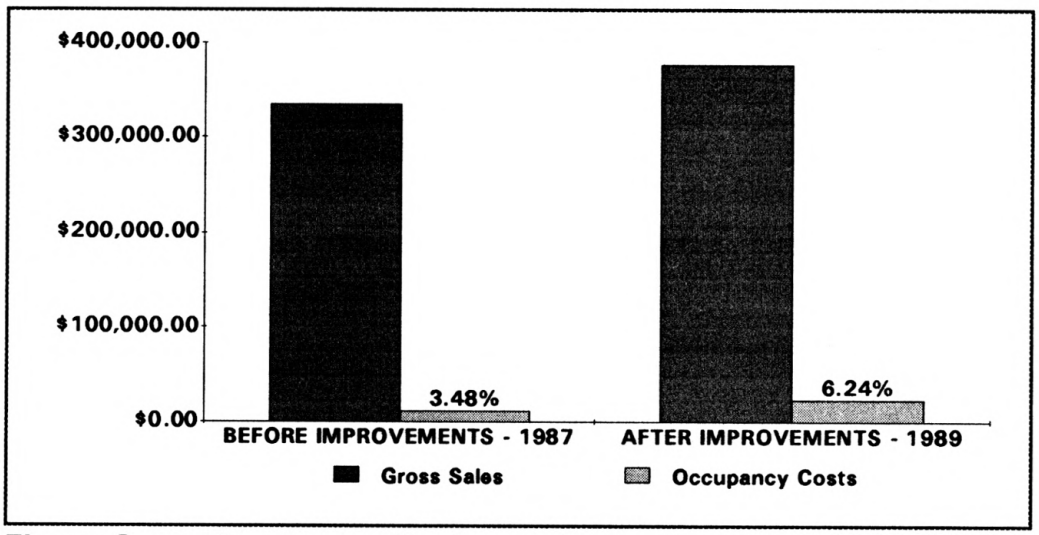

Figure 3 Occupancy Costs as a Percentage of Gross Sales

[8]Increase in rent reflects the property owner's investment in exterior building improvements and bringing the rent up to current market rates.

[9]Estimated at 40% of total taxes (a figure that included property and payroll taxes).

[10]Debt service was estimated based on an assumption of a $40,000 loan at 10% interest for a period of 10 years -- resulting in monthly debt service of $528.60.

Business Performance Before and After Improvements

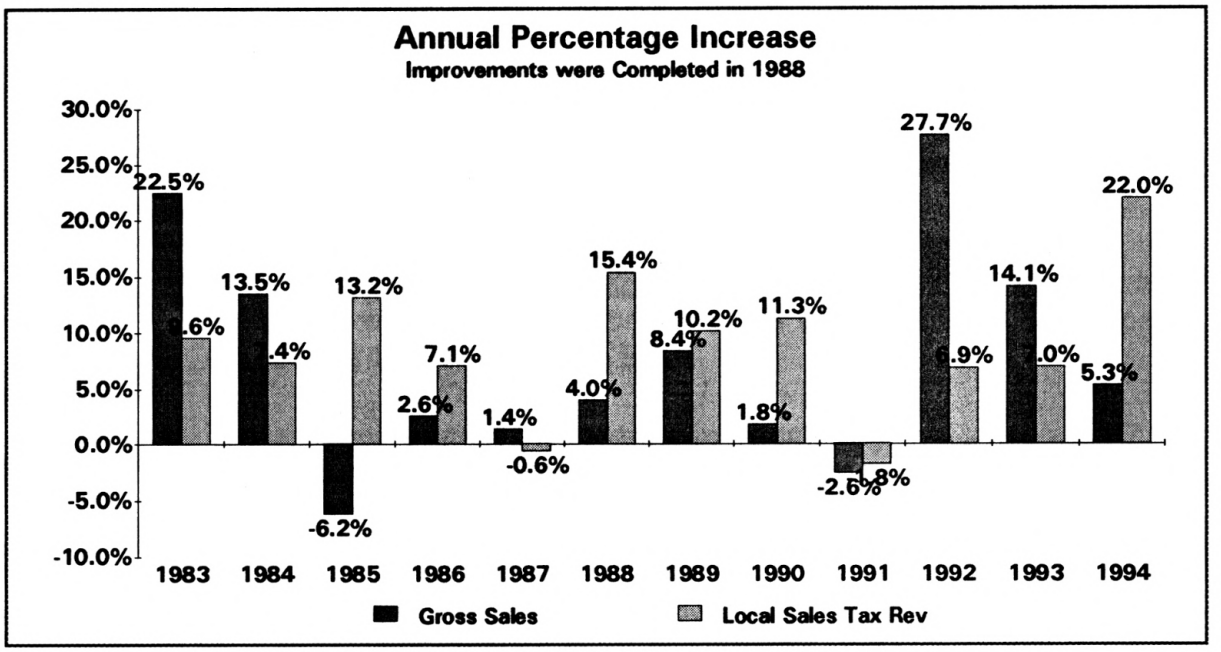

Figure 4 Gross Sales Compared to Local Sales Tax Revenue

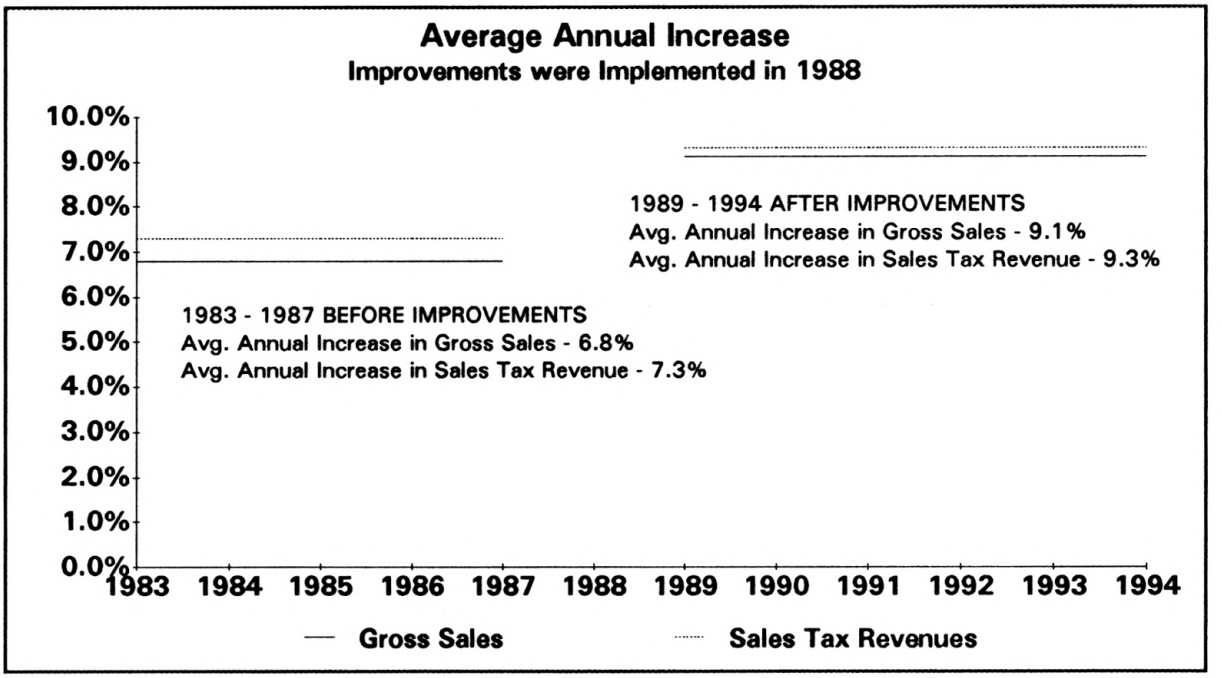

Figure 5 Average Annual Percentage Increase
Gross Sales Compared to Local Sales Tax Revenue

Summary of Sales Performance

- 500% increase in the annual percentage increase in gross sales the year after improvements (1987 1.4% compared to 1989 8.4%) (Figure 4)

- 33% increase in the average annual percentage increase in gross sales after improvements (1983-87 6.3% compared to 1989-94 9.1%) (Figure 5)

- 27% increase in the average annual percentage increase in local sales tax revenue after improvements (1983-87 7.3% compared to 1989-94 9.3%) (Figure 5)

- The average annual percentage increase in gross sales was 7.4% lower that the average annual percentage increase in local sales tax revenue before improvements (1983-87 6.8% vs. 7.3%) (Figure 5)

- The average annual percentage increase in gross sales was 2.2% lower than the average annual percentage increase in local sales tax revenue after improvements (1989-94 9.1% vs. 9.3%) (Figure 5)

Impact of Physical Improvements

The business owner indicated that the physical improvements significantly impacted the increase in sales by attracting new customers and encouraging existing customers to return more often. The owner also noted that it is difficult to separate the impact of the physical improvements when additional changes in business operations were made at the same time. Despite the difficulty in separating the impact of each type of improvement, he indicated that customers did notice and were complimentary of the improvements. According to the owner, the improvement in appearance generated a new level of confidence among customers. The store's employees "love" the improvements -- "they are proud to work in a store with a progressive, up-to-date image." In addition, the owner noted that company management and national sales representatives have been favorably impressed

with the improvements which places the business in a better position for partnerships with vendors.

In summary, the business owner stated that he is definitely satisfied with the improvements and that they were worth the investment. He considers such improvements essential to maintaining a viable business in an intensely competitive market.

Case Study #2

General Description

Case Study #2 is a retail pawn shop located in a downtown business district in a southeastern community with a population of approximately 18,000.

The downtown area is a local historic district that possesses significant architectural character. A downtown association and city economic development group coordinate the downtown improvements efforts. The pawn shop has been in business, under the same ownership, for 26 years. After occupying the building for 20 years as a tenant, the business owner had the opportunity to purchase the building and did so. He also acquired the adjacent building. The acquisition of the two buildings allowed him to expand his business in the same location and improve the appearance of the buildings and business at the same time. The building, in its former condition, was listed as a non-contributing member of the local historic district. Following the physical improvements, the building was listed on the historic register.

Building/Business Improvements

Scope of Physical Improvements

The project was comprised of facade improvements, structural work, and interior remodeling including electrical and plumbing. The facade improvements involved removal of an aluminum slip cover, installation of new upper level windows and transom, repair and improvements to the display windows and business entrance, and the installation of a new awning and business signs. Interior and structural work consisted of removal of the load bearing wall

between the two buildings and installation of new interior fixtures and finishes[11].

Cost of Physical Improvements

The total cost of the physical improvements was approximately $50,000 (Figure 6). The building owner utilized the Federal Investment Tax Credits for Rehabilitating Historic Structures.

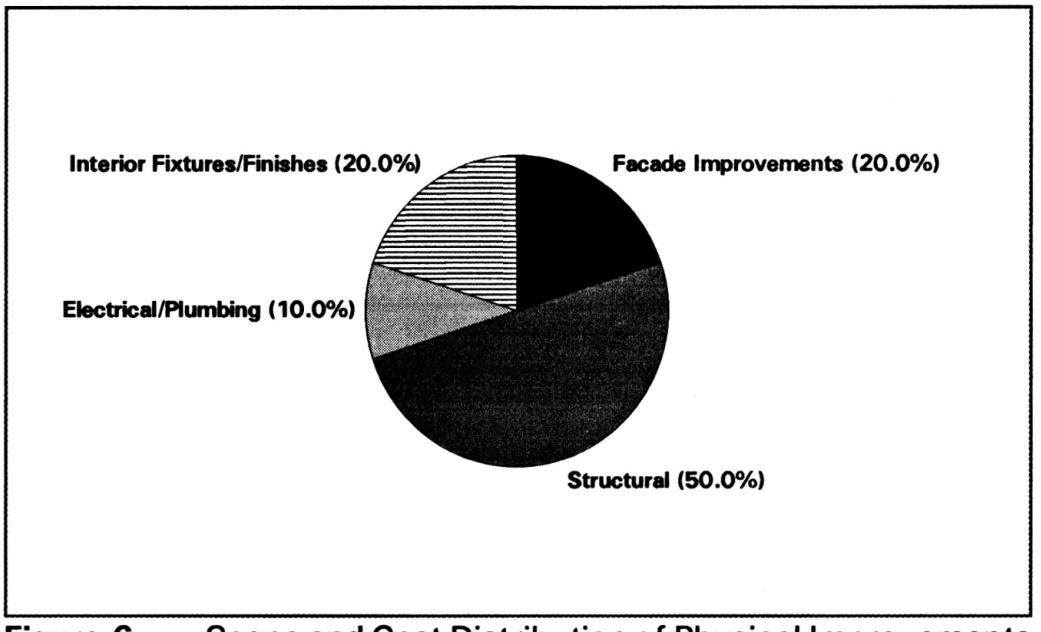

Figure 6 Scope and Cost Distribution of Physical Improvements

Concurrent Business Improvements

In addition to the physical improvements, the only other significant change involved merchandise layout and displays.

[11]No before and after photos were available.

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements (Figure 7)

	1992 - BEFORE IMPROVEMENTS	1994 - AFTER IMPROVEMENTS
Square Footage[12]	6,500	13,000
Rent[13]	$ 6,000.00	$ 18,000.00
Property Taxes[14]	-----	-----
Building Insurance	$ 3,600.00	$ 3,600.00
Utilities	$ 3,600.00	$ 9,600.00
Building Maintenance	-----	-----
Debt Service on Improvements[15]	-----	$ 3,965.00
Total Annual Occupancy Costs	$ 13,200.00	$ 35,165.00
Occupancy Costs/Square Foot	$ 2.03	$ 2.70
Gross Annual Sales	$185,000.00	$270,000.00
Gross Annual Sales/Square Foot	$ 28.46	$ 20.76
Annual Occ. Costs as % of Sales	7.1%	13.0%

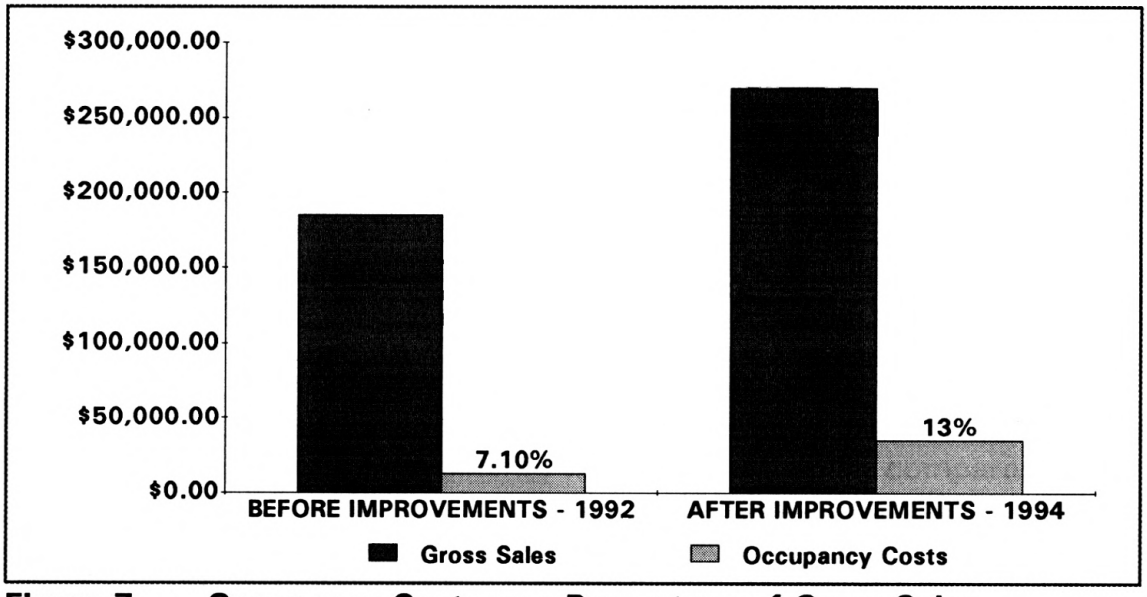

Figure 7 Occupancy Costs as a Percentage of Gross Sales

[12]Business square footage doubled as a result of expansion into an adjoining property.

[13]Increase in rent figure reflects cost of purchase of building(s), investment in improvements, and expansion in square footage.

[14]No tax figures available.

[15]Debt service was estimated based on the assumption of a $25,000 loan (one half the total cost of improvements) at 10% interest for a period of 10 years -- resulting in monthly debt service of $330.38.

Business Performance Before and After Improvements

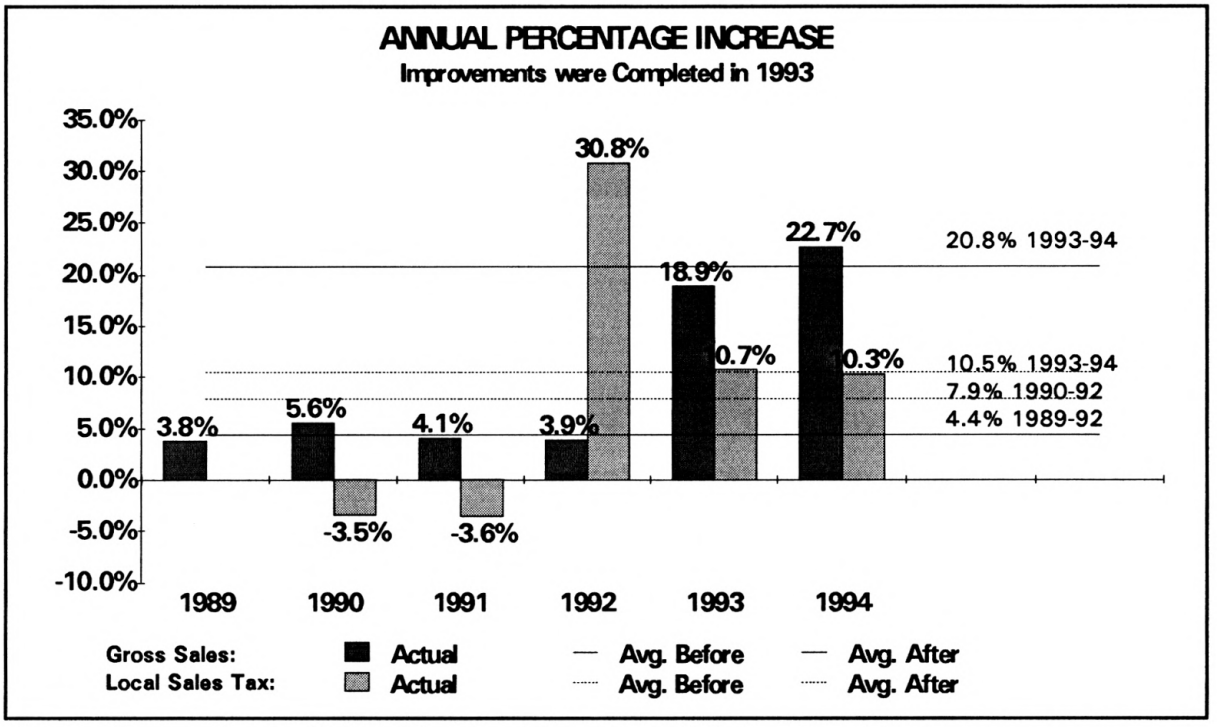

Figure 8 Gross Sales Compared to Local Sales Tax Revenue

Summary of Sales Performance

- 582% increase in the annual percentage increase in gross sales the year after improvements (1992 3.9% compared to 1994 22.7%) (Figure 8)
- 27.1% decrease in the gross annual sales per square foot[16] the year after improvements (1992 $28.46/sq.ft. compared to 1994 $20.76/sq.ft.)
- 372% increase in the average annual percentage increase in gross sales after improvements (1989-92 4.4% compared to 1993-94 20.8%) (Figure 8)
- 32.9% increase in the average annual percentage increase in local sales tax revenue after improvements (1990-92 7.9% compared to 1993-94 10.5%) (Figure 8)

[16]Sales figures per square foot are provided for a comparison in an attempt to reflect the increase in the size of the business.

- The average annual percentage increase in gross sales was 44.3% lower that the average annual percentage increase in local sales tax revenue before improvements (1989/90-92 4.4% vs. 7.9%) (Figure 8)

- The average annual percentage increase in gross sales was 98% higher than the average annual percentage increase in local sales tax revenue after improvements (1993-94 20.8% vs. 10.5%) (Figure 8)

Impact of Physical Improvements

The business owner indicated that the physical improvements significantly impacted the increase in sales by attracting new customers. He noted that the expansion in the size of the store had a major impact on the appearance of the store and the resulting effect on sales. Customers responded favorably to the expansion and the improvements. In addition to the obvious benefit of increased sales, the owner noted that the space was now more comfortable to work in. He stated that he was very satisfied with the improvements and only wished he would have done it when he was younger!

The business owner noted that three or four additional improvement projects have recently been completed in the downtown and that the impact would probably be greater if others in the area would pursue improvements as well.

Case Study #3

General Description

Case Study #3 is a pizza restaurant located in a downtown business district in a midwestern community with a population of approximately 5,000.

The business district has a significant amount of historic and architectural character and is experiencing an increasing level of design activity. The local Main Street Program coordinates the downtown improvement efforts and a low-interest loan program is in place to provide financial incentives for facade improvements.

The restaurant has been in business, under the same ownership, for 7 years. The business owner owns the building that the business occupies and in 1991, implemented substantial physical improvements. The owner's primary motivation for the improvements was two-fold: first, to upgrade the appearance and image of the business to reflect the quality of the food and service and secondly, to demonstrate pride in the downtown and the community by investing in the business.

Building/Business Improvements

Scope of Physical Improvements

The business owner utilized technical assistance through the local and state Main Street Programs for the improvement project. A local contractor implemented the improvements. The project involved extensive facade rehabilitation and minor interior remodeling. The facade improvements consisted of removal of wood siding on the upper facade, removal of wood siding and brick veneer (remnants of a former storefront remodeling), repair of the upper facade and upper level windows, restoration of the original storefront, installation of new business signs, and an awning at a side entrance. (Figure 9)

Figure 9 Sketch of Building Before and After Improvements

Cost of Physical Improvements

The total cost of the physical improvements was approximately $40,000 (Figure 10). The business owner utilized local financial incentives through the Main Street Program's low-interest loan program.

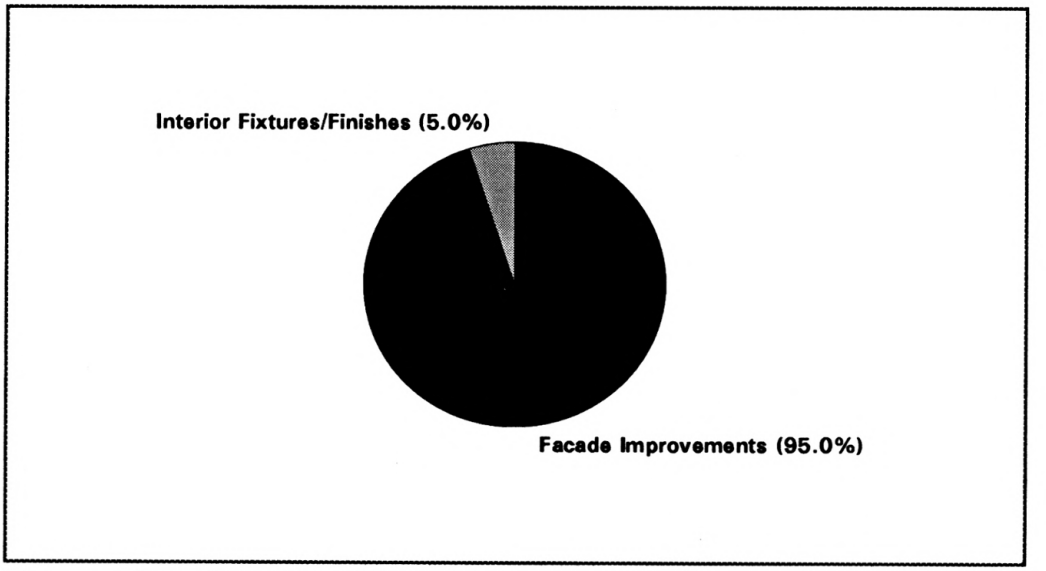

Figure 10 Scope and Cost Distribution of Physical Improvements

Concurrent Business Improvements

No significant changes in business operations were implemented at the same time as the physical improvements.

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements (Figure 11)

	1990 - BEFORE IMPROVEMENTS	1992 - AFTER IMPROVEMENTS
Square Footage	2,700	2,700
Rent	$ 14,400	$ 16,800
Property Taxes	$ 2,181	$ 3,131
Building Insurance[17]	$ 1,624	$ 2,127
Utilities[18]	$ 2,732	$ 3,877
Building Maintenance[19]	$ 2,545	$ 8,204
Debt Service on Improvements[20]	-----	$ 6,343
Total Annual Occupancy Costs	$ 23,482	$ 40,482
Gross Annual Sales	$197,697	$331,924
Annual Occ. Costs as % of Sales	11.9%	12.2%

[17]Figure estimated at 40% of all business insurance.

[18]Figure represents utilities for the entire building, including upper level apartments.

[19]Figure includes repair and maintenance for the entire building including upper level apartments -- drastic increase in maintenance reflects repairs in other parts of the building.

[20]Debt service was estimated based on an assumption of a $40,000 loan at 10% interest for a period of 10 years -- resulting in a monthly debt service of $528.60.

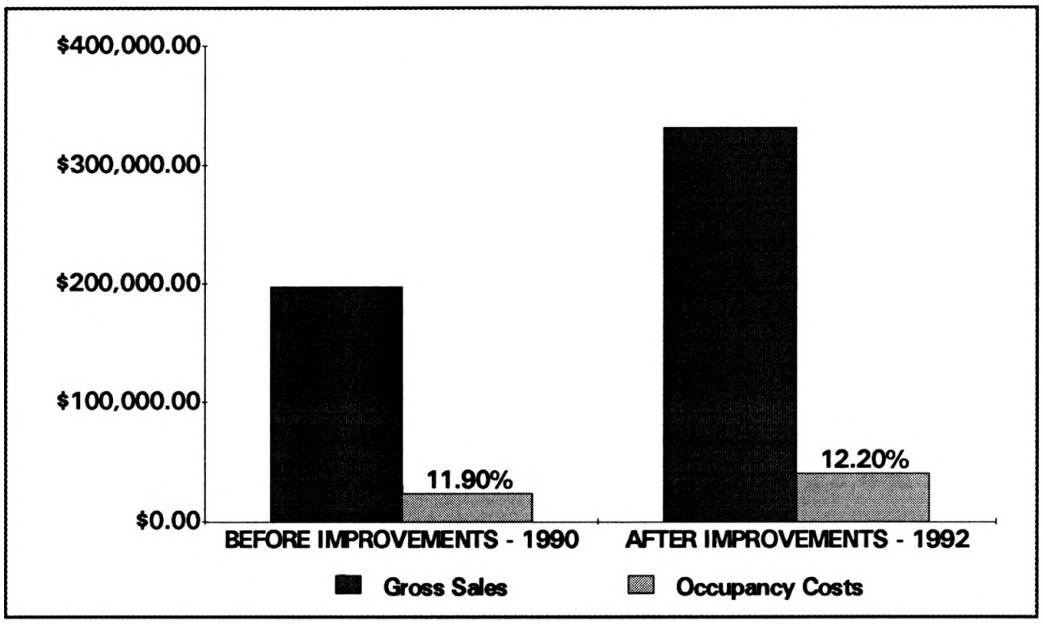

Figure 11 Occupancy Costs as a Percentage of Gross Sales

Business Performance Before and After Improvements

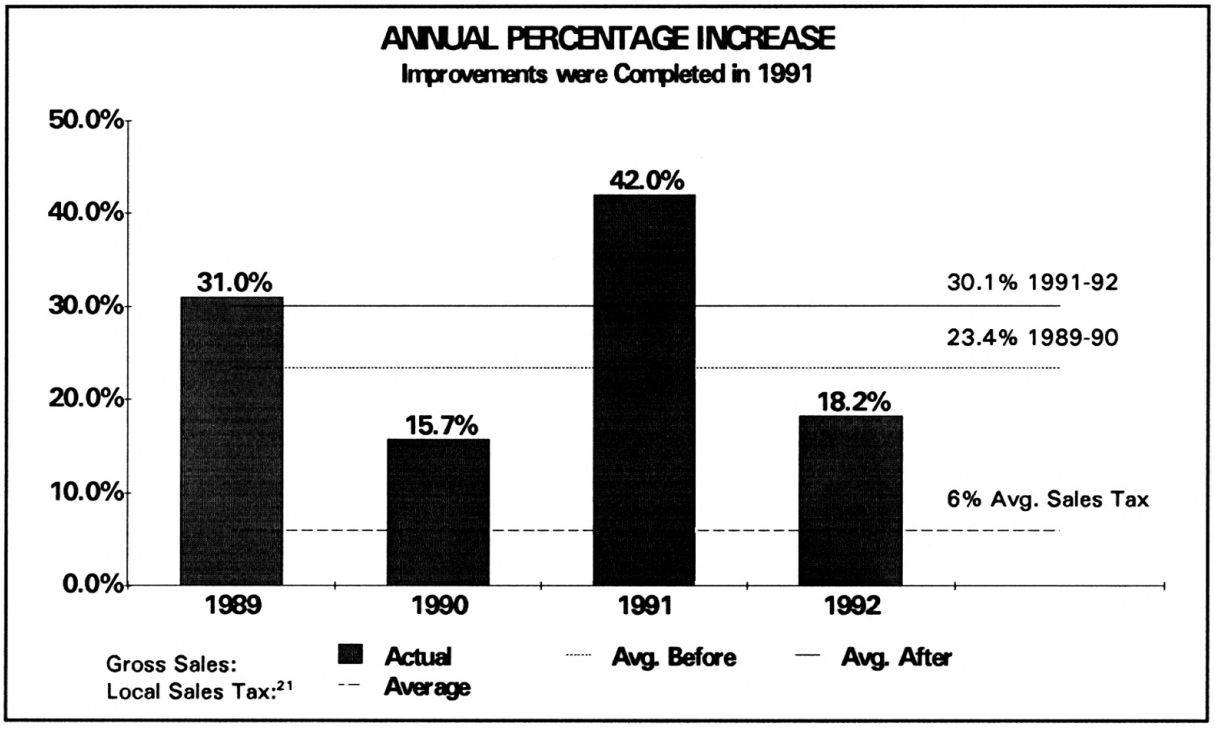

Figure 12 Gross Sales Compared to Local Sales Tax Revenue

[21]Figure reflects a reported average in annual state sales tax revenue, not a calculation based on actual tax revenues.

Summary of Sales Performance

- 16% increase in the annual percentage increase in gross sales the year after improvements (1990 15.7% compared to 1992 18.2%) (Figure 12)

- 29% increase in the average annual percentage increase in gross sales after improvements (1989-90 23.4% compared to 1991-92 30.1%) (Figure 12)

- The average annual percentage increase in gross sales was 290% higher that the average annual percentage increase in local sales tax revenue before improvements (1989-90 23.4% vs. 6%) (Figure 12)

- The average annual percentage increase in gross sales was 402% higher than the average annual percentage increase in local sales tax revenue after improvements (1991-92 30.1% vs. 6%) (Figure 12)

Impact of Physical Improvements

The business owner indicated that the physical improvements significantly impacted her increase in sales. She noted, "not only did our total sales significantly increase after our renovations, but the ratio of our dine-in customers compared to delivery and take-outs also increased 15-20%." The business owner went on to state that the physical changes were not the only reason for the increased sales, that the quality of food and service is the primary factor impacting sales. However, she said, "our building's look now matches the image of our food and service, where in the past the outside impression was not appealing in the least." The owner noted that locals want to do business with someone who cares about the community and takes pride in their business. She is very satisfied with the improvements and would definitely make them again. A fellow business person was heard to comment, "Do they think spending all that money is going to sell more pizza?" and the business owner said the answer is a very resounding, yes!

Case Study #4

General Description

Case Study #4 is a professional service, an optometrist, located in a downtown business district in a midwestern community with a population of approximately 12,000.

According to the business owner, the level of downtown activity has been picking up. The community has been involved in the Main Street program for approximately five years. Three or four businesses have recently taken advantage of a low-interest loan program and implemented physical improvements.

The business, in place since the 1940s, has been under the current ownership for 14 years. The business owner owns the building that the business occupies. According to the owner, the appearance of the building was outdated and the primary motivation for the physical improvements was to update the image of the building and the business.

Building/Business Improvements

Scope of Physical Improvements

The business owner utilized design assistance through the state and local Main Street programs. The project consisted of facade improvements and extensive interior remodeling. The facade rehabilitation involved repair of the upper facade and upper level windows, removal of previous storefront alterations, installation of a new storefront more in keeping with the historic character of the building, and installation of a new business sign. (Figure 13)

Figure 13 Sketch of Building Before and After Improvements

Cost of Physical Improvements

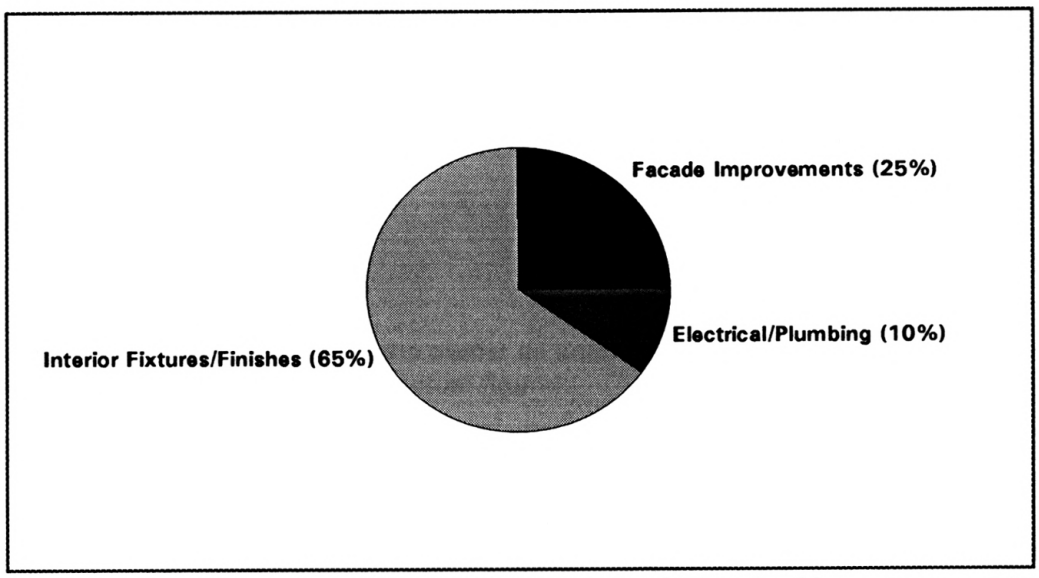

Figure 14 Scope and Cost Distribution of Physical Improvements

The total cost of the physical improvements was approximately $80,000 (Figure 14). The business owner utilized the local Main Street program's low-interest loan program.

Concurrent Business Improvements

No significant changes in business operations were implemented at the same time as the physical improvements.

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements (Figure 15)

	1993 - BEFORE IMPROVEMENTS	1994 - YEAR OF IMPROVEMENTS[22]
Square Footage	1,600	1,600
Rent	$ 14,400	$ 14,400
Property Taxes	$ 3,000	$ 3,000
Building Insurance	$ 1,800	$ 1,800
Utilities	$ 3,700	$ 3,700
Building Maintenance[23]	$ 7,000	$ 7,000
Debt Service on Improvements[24]	-----	$ 8,722
Total Annual Occupancy Costs	$ 29,900	$ 40,222
Gross Annual Sales	$365,435	$377,261
Annual Occ. Costs as % of Sales	8.2%	10.7%

[22]1994 figures are estimated by the owner as unchanged from the previous year (with the exception of gross sales which is an actual figure).

[23]Figure includes maintenance and repairs for upstairs apartments.

[24]Debt service was estimated based on an assumption of a $55,000 loan (the total cost of the improvements less an initial investment of $15,000) at 10% interest for a period of 10 years -- resulting in a monthly debt service of $726.83.

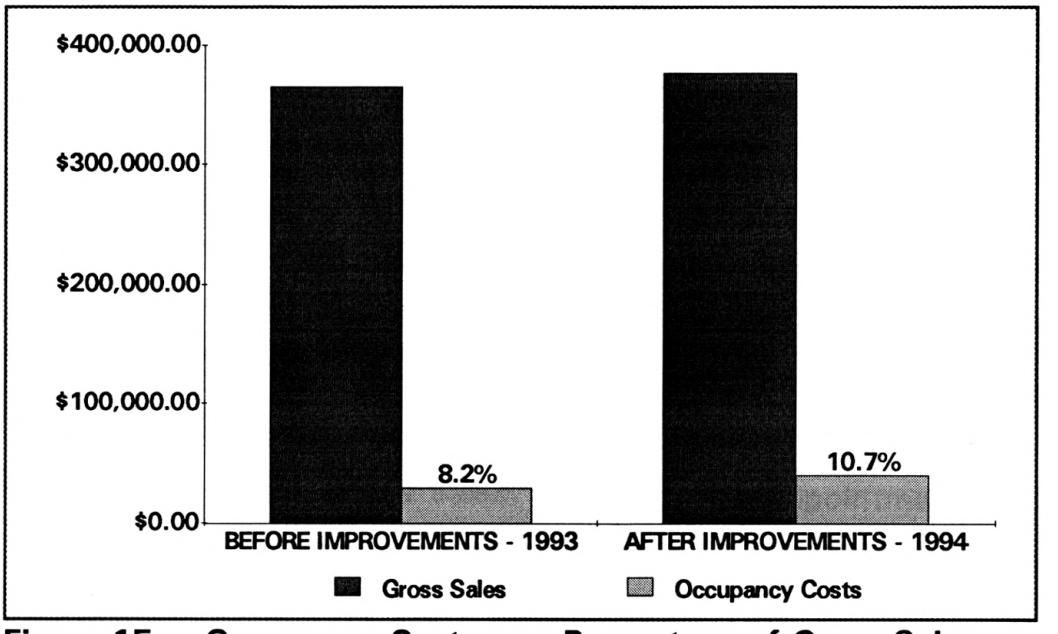

Figure 15 Occupancy Costs as a Percentage of Gross Sales

Business Performance Before and After Improvements

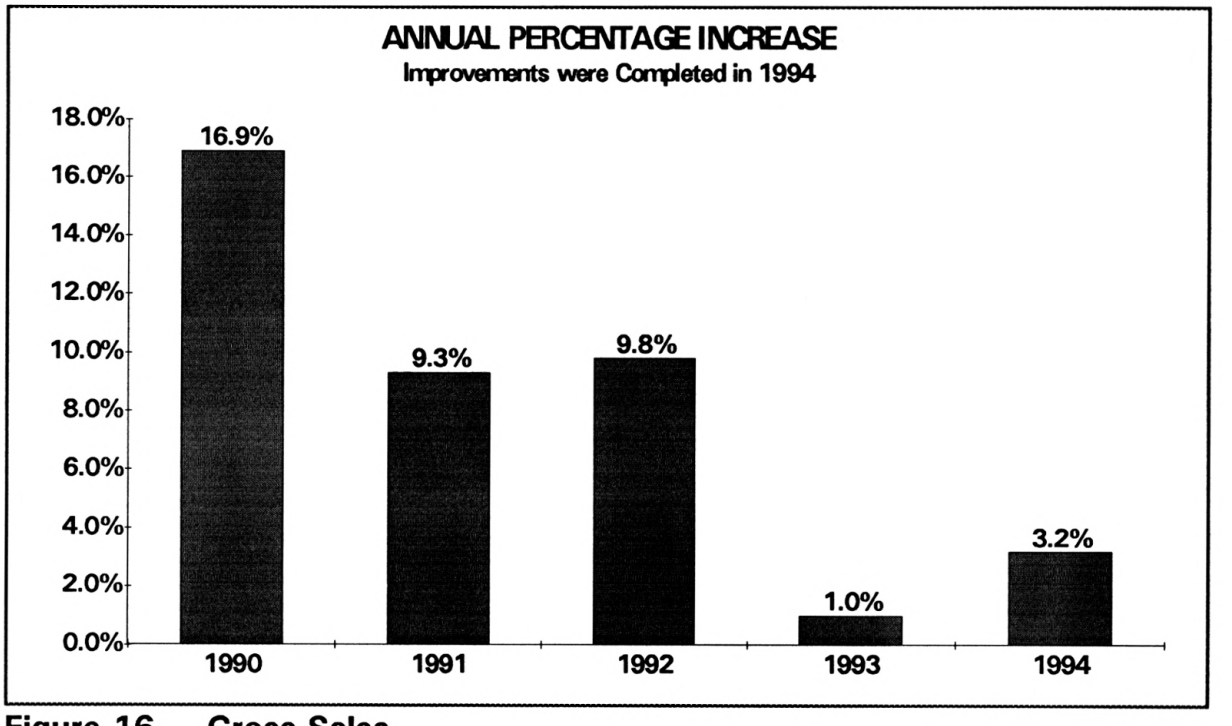

Figure 16 Gross Sales

Summary of Sales Performance

Given the fact that the improvements were completed in 1994, it is not possible to analyze the impact on sales after improvements. In addition, sales tax revenue is not an appropriate basis for comparison because this is a service business and sales tax is not collected on professional services in this location.

Impact of Physical Improvements

The business owner indicated that the physical improvements have somewhat impacted his business' sales. He noted, "My appointment book has been booked solid for a few years. In past years, my schedule has filled up only a couple of days ahead of time. Since the remodeling, I am consistently booked two weeks ahead of time. The bottom line won't change significantly because I can't see any more people." The owner further noted that clients have responded favorably to the improvements; the business has seen a few new people and more traffic -- people making appointments. The owner acknowledged that from a strictly financial standpoint, the improvements were not the most economical solution. His primary reason was to change the image of his business, "There are a million of optical places to choose from; the image of the business reflects you personally." The owner was not happy with the earlier appearance of his building and the image it projected of his business. "With assistance from the Main Street program, I was able to recognize the potential that the building held. The new image is tasteful and professional." The owner is very satisfied with the results.

Case Study #5

General Description

Case Study #5 is a bakery and sandwich shop located in a downtown business district in a southeastern community with a population of approximately 6,000.

The business owner noted that "the town was like most small towns, dying 10 years ago, when a group of business owners formed a downtown association and hired staff. We now have a strong downtown -- it has been a complete turnaround. People are fixing up buildings and there is more pride. The best thing that has happened is the downtown/Main Street program."

The bakery has been in business since 1940, and under the same ownership for the past 24 years. The owner's primary motivation for implementing the improvements was two fold: first, after renting the property for years, he was able to purchase the building his business occupied; and secondly, the business needed additional space to diversify the product line, and had the opportunity to purchase two adjacent buildings in which to expand.

Building/Business Improvements

Scope of Physical Improvements

The project was comprised of roof repair, facade improvements, and extensive interior remodeling including heating/air conditioning, electrical, and plumbing. The facade improvements consisted of installation of a new storefront including transom, display windows, and entrance, and installation of a new awning and business sign.[25]

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[25]No before and after photos were available.

Cost of Physical Improvements

The total cost of the physical improvements was approximately $200,000 (Figure 17). The business owner was awarded a grant through the state Main Street Program to pay for a portion of the cost of improvements.

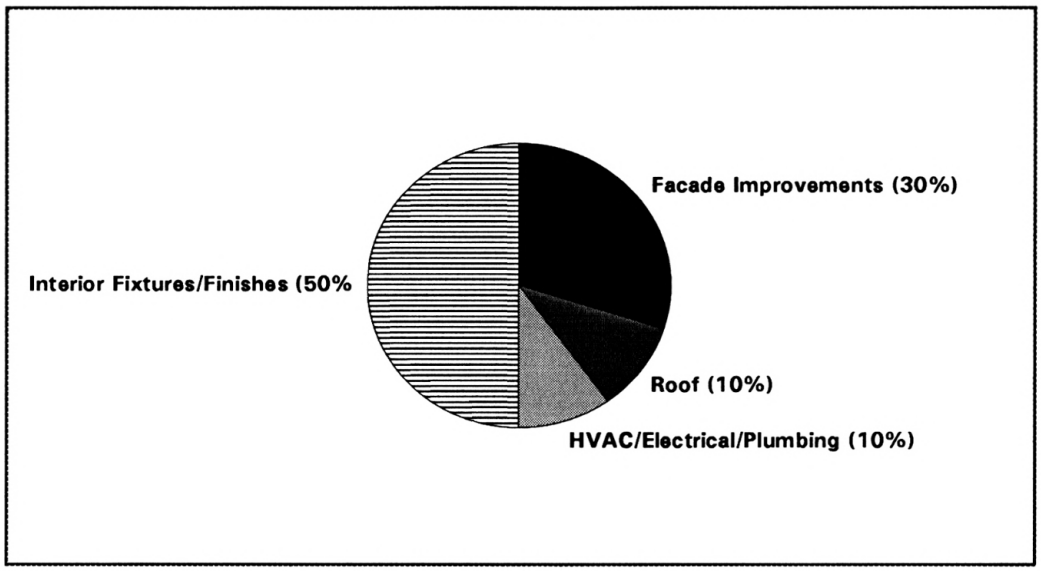

Figure 17 Scope and Cost Distribution of Physical Improvements

Concurrent Business Improvements

No significant changes in business operations were implemented at the same time as the physical improvements.

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements[26] (Figure 18)

	1992 - BEFORE IMPROVEMENTS	1994 - AFTER IMPROVEMENTS
Square Footage[27]	2,500	4,000
Rent	$ 4,200.00[28]	$ 18,000.00[29]
Property Taxes	-----	-----
Building Insurance	-----	-----
Utilities	-----	-----
Building Maintenance	-----	-----
Debt Service on Improvements[30]	-----	-----
Total Annual Occupancy Costs	$ 4,200.00	$ 18,000.00
Occupancy Costs/Square Foot	$ 1.68	4.50
Gross Annual Sales	$240,000.00	$500,000.00
Annual Sales/Square Foot	$ 96.00	$ 125.00
Occupancy Costs as % of Sales[31]	1.8%	3.6%

[26]1992 occupancy cost includes rent only, 1994 occupancy cost includes rent and cost of improvements. Exact figures were not available for the individual elements typically included in occupancy costs however, the owner estimated: a 100% increase in property taxes and insurance; a 50% increase in utilities; and a 25% increase in maintenance.

[27]The change in square footage is a result of expansion into an adjacent building.

[28]Figure reflects rent amount as a tenant, before purchasing the building and before expanding into the adjacent building.

[29]Figure is "rent" on the new space which actually reflects the debt service on cost of the improvements.

[30]Debt service is reflected in rent figure.

[31]Note that occupancy costs as a percentage of gross sales is low compared to other case studies primarily due to the fact that occupancy costs on this case study only reflects rent and debt service on improvements.

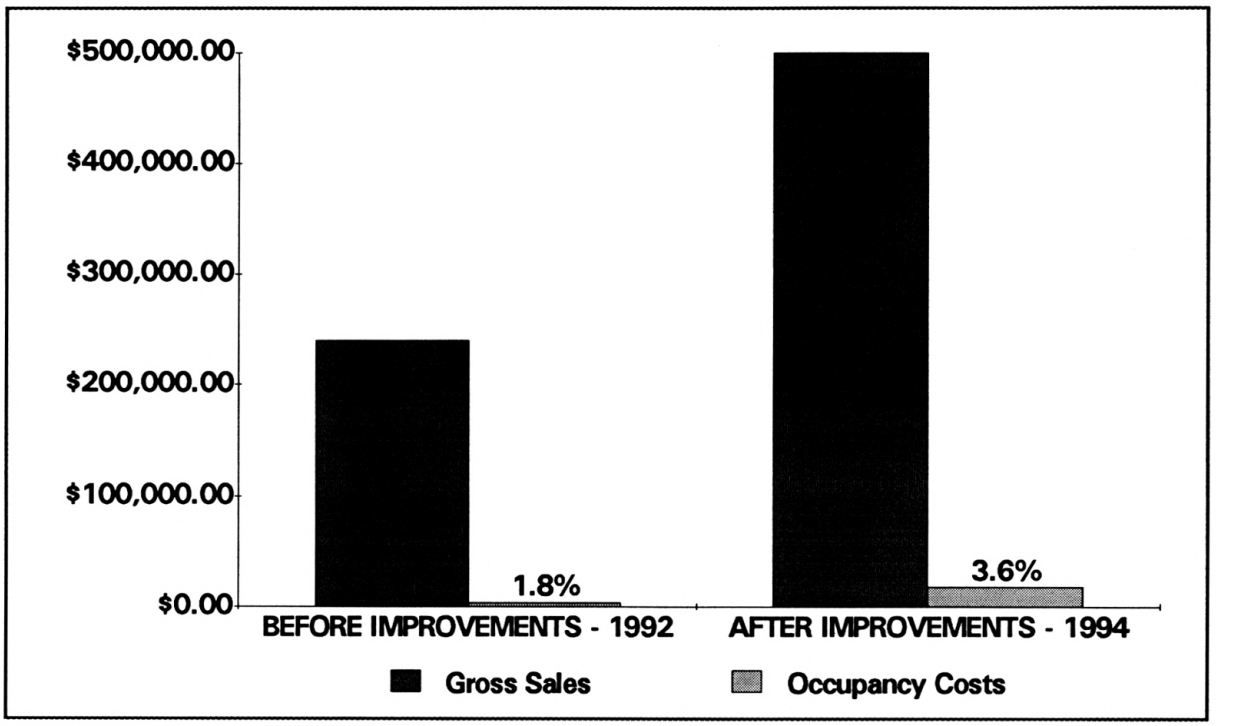

Figure 18 Occupancy Costs as a Percentage of Gross Sales

Business Performance Before and After Improvements

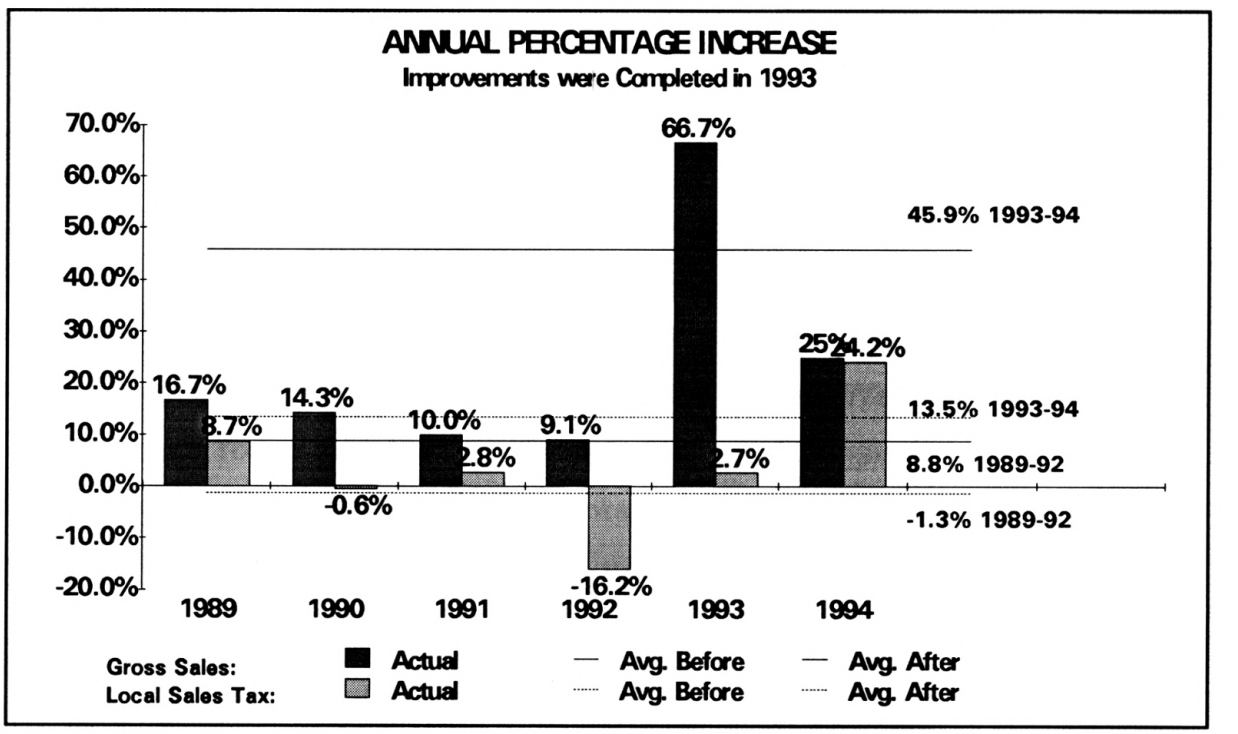

Figure 19 Gross Sales Compared to Local Sales Tax Revenue

Summary of Sales Performance

- 175% increase in the annual percentage increase in gross sales the year after improvements (1992 9.1% compared to 1994 25%) (Figure 19)

- 30.2% increase in the gross annual sales per square foot[32] after improvements (1992 $96/sq.ft. compared to 1994 $125/sq.ft.)

- 422% increase in the average annual percentage increase in gross sales after improvements (1989-92 8.8% compared to 1993-94 45.9%) (Figure 19)

- 1138% increase in the average annual percentage increase in local sales tax revenue after improvements (1989-92 -1.3% compared to 1993-94 13.5%) (Figure 19)

- The average annual percentage increase in gross sales was 115% higher that the average annual percentage increase in local sales tax revenue before improvements (1989-92 8.8% vs. -1.3%) (Figure 19)

- The average annual percentage increase in gross sales was 329% higher than the average annual percentage increase in local sales tax revenue after improvements (1993-94 45.9% vs. 13.5%) (Figure 19)

Impact of Physical Improvements

The business owner indicated that the physical improvements, in conjunction with the expansion in size, significantly impacted the increase in sales primarily through attracting new customers. He noted, "We already had a very good business and were turning people away. We knew that we only needed more room and we just bloomed after expansion." The owner is definitely satisfied with the improvements and absolutely considers it worth the investment -- the improvements are a great source of personal pride.

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[32]Sales/Sq. Ft. figures are provided in an attempt to reflect the change in business size.

Case Study #6

General Description

Case Study #6 is a retail drug store located in a downtown business district in a midwestern community with a population of approximately 40,000.

The downtown is a local historic district that possesses significant architectural and historic character. An active downtown program has been in place over ten years. Comprehensive streetscape improvements were implemented in the late 1980s to enhance the public space downtown. The vast majority of buildings have been rehabilitated over the past decade.

The drug store has been in business, under the same ownership, for 17 years. Given the national trend toward the inevitable demise of large downtown drug stores, the business owner made a decision to look for new space. His top criterion for the new space was a location in close proximity to the existing business. At the same time, the owner made a commitment to shift the primary orientation of the business. Prior to the move, the pharmacy occupied less than one-third of the square footage yet produced a significantly higher percentage of profit; over-the-counter drugs, cosmetics, and gifts occupied two-thirds of the space. Trained as a pharmacist, the owner decided to expand the pharmaceutical portion of the business and to get out of the business of selling cosmetics and gifts. He signed a lease for a new, smaller space, directly across the street from the existing store.

Building/Business Improvements

Scope of Physical Improvements

Under the terms of the lease agreement, the new space was to be rehabilitated for the tenant. The business owner retained a local architect to design the improvements. The project consisted of facade improvements and extensive interior remodeling including heating/ventilating/air conditioning,

electrical, and plumbing. Aluminum siding was removed from the storefront and a new storefront was installed that is notably modern yet respectful of the building's traditional character. New business signs were installed and the interior designed and finished to present a clean, quality image without appearing fancy or pretentious. (Figure 20)

Cost of Physical Improvements

The total cost of the physical improvements was approximately $50,000 (Figure 21). The business owner invested $25,000 up-front and the property owner paid for the balance, approximately half of total improvement costs.

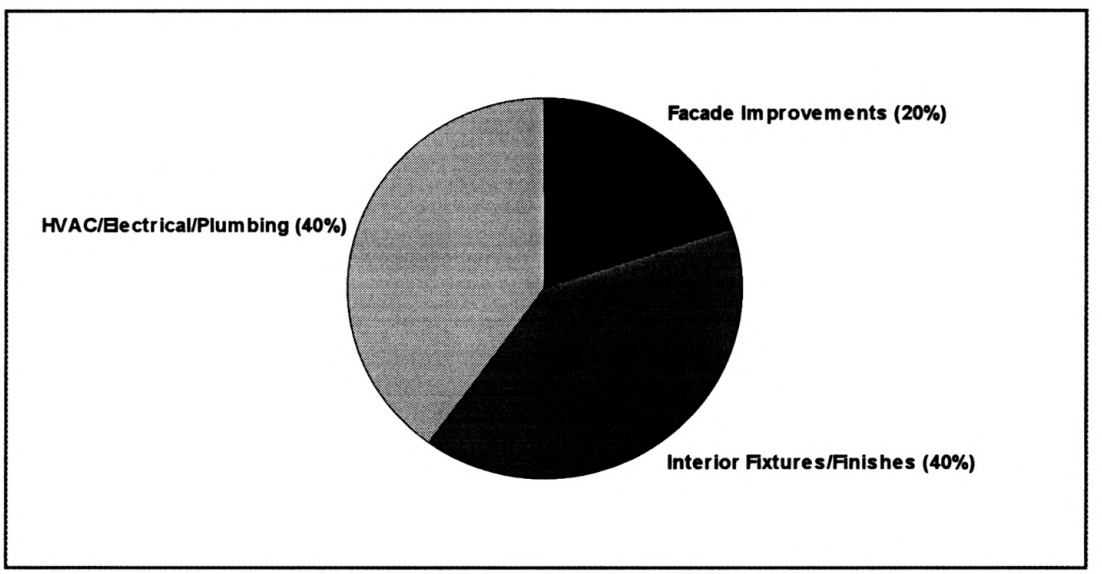
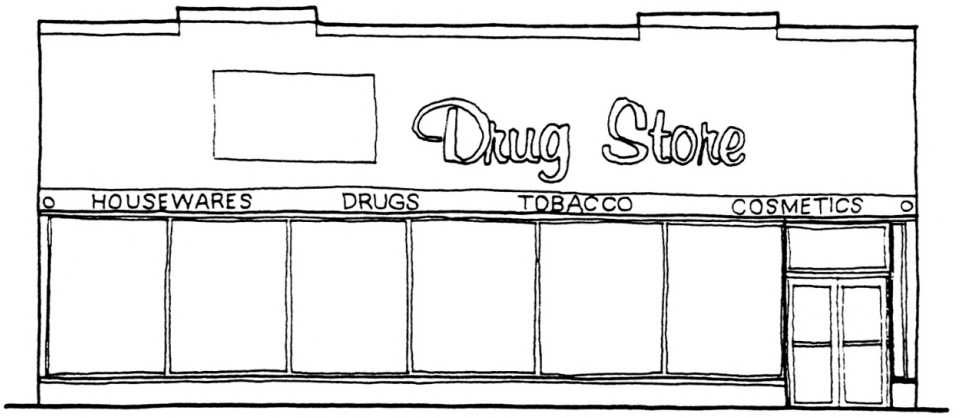


Figure 21 Scope and Cost Distribution of Physical Improvements

Concurrent Business Improvements

In addition to the physical improvements, the business owner implemented significant changes in business operations at the same time. The concurrent changes included a change in merchandise lines and inventory, shifting the emphasis from cosmetics and gifts to the pharmacy. In addition, the newly renovated space and reduction in inventory lent itself to changes in merchandise layout and displays.



Former Business Location (before move and physical improvements)

New Business Location (before and after improvements)

Figure 20 Sketch of Buildings Before and After Improvements

Analysis of Cost and Sales Data

Occupancy Costs Before and After Improvements (Figure 22)

	1990 - BEFORE IMPROVEMENTS	1992 - AFTER IMPROVEMENTS
Square Footage	6,000	2,000
Rent	$ 16,200.00	$ 8,400.00
Property Taxes	$ 13,800.00[33]	$ 2,400.00[34]
Building Insurance	-----	-----
Utilities	$ 10,200.00	$ 2,700.00
Building Maintenance	$ 2,400.00	$ 300.00
Debt Service on Improvements[35]	-----	$ 3,965.00
Total Annual Occupancy Costs	$ 42,600.00	$ 17,765.00
Occupancy Costs/Square Foot	$ 7.10	$ 8.88
Gross Annual Sales	$799,230.00	$ 977,373.00
Gross Annual Sales/Square Foot	$ 133.20	$ 488.68
Annual Occ. Costs as % of Sales	5.33%	1.82%

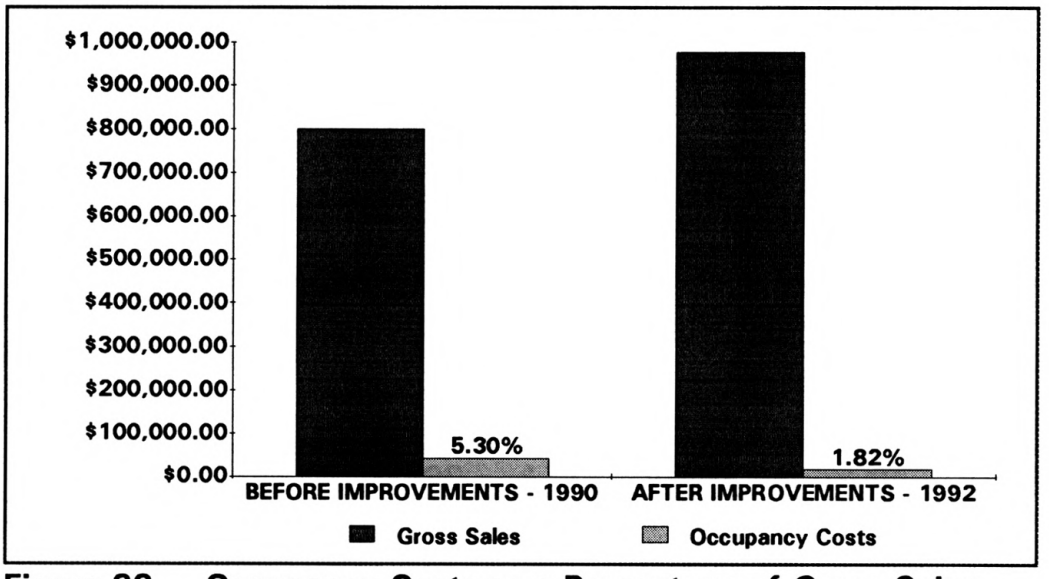


Figure 22 Occupancy Costs as a Percentage of Gross Sales

[33]Through a triple-net lease, the business owner was responsible for all property and special taxes, building insurance, and repairs -- this is reflected in one lump sum figure under property taxes in the chart.

[34]Under the new lease, the business owner was responsible for property taxes and insurance -- these costs are reflected together, under property taxes in the chart.

[35]Although the business owner paid $25,000 for the physical improvements up-front, debt service is added to this chart to reflect the $25,000 investment. Debt service was estimated based on an assumption of a $25,000 loan at 10% interest for a period of 10 years -- resulting in monthly debt service of $330.38.

Business Performance Before and After Improvements

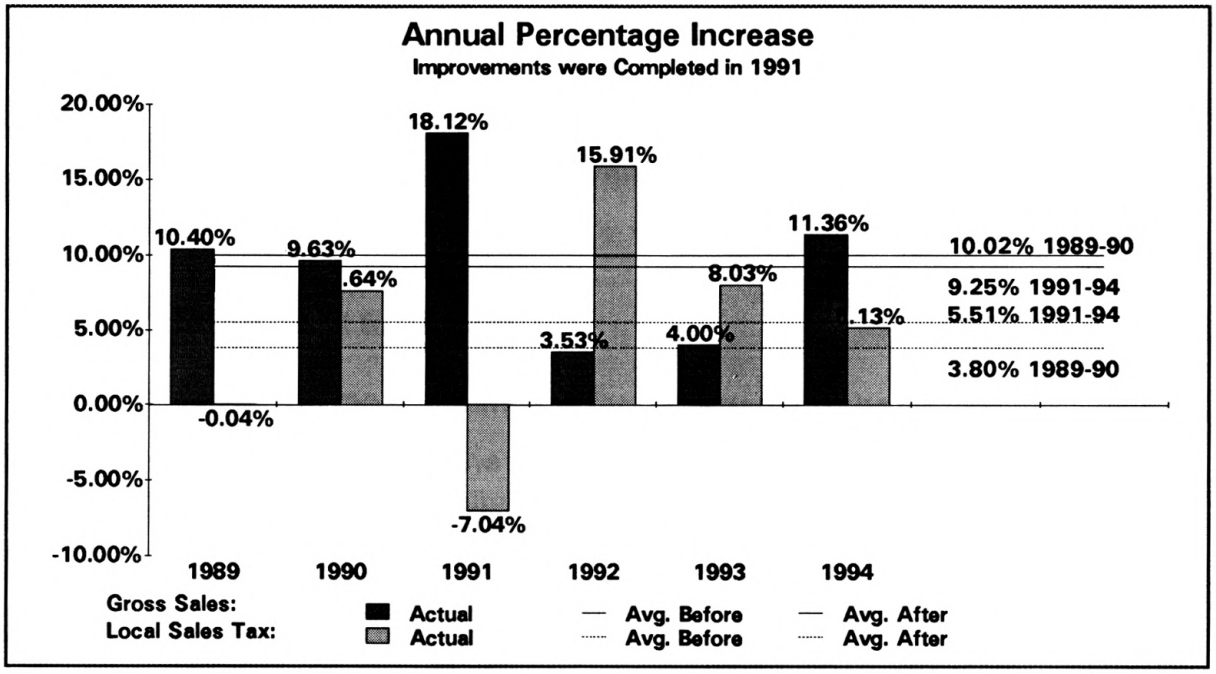


Figure 23 Gross Sales Compared to Local Sales Tax Revenue

Summary of Sales Performance

- 88.2% increase in the annual percentage increase in gross sales the year after improvements (1990 9.63% compared to 1991 18.12%) (Figure 23)
- 269% increase in the gross annual sales per square foot[36] after improvements (1990 $133.20/sq.ft. compared to 1992 $488.68/sq.ft.)
- 7.68% decrease in the average annual percentage increase in gross sales after improvements (1989-90 10.02% compared to 1991-94 9.25%) (Figure 23)
- 45% increase in the average annual percentage increase in local sales tax revenue after improvements (1989-90 3.8% compared to 1991-94 5.51%) (Figure 23)

[36]Sales figures per square foot are provided for a comparison in an attempt to reflect the increase in the size of the business.

- The average annual percentage increase in gross sales was 164% higher that the average annual percentage increase in local sales tax revenue before improvements (1989-90 10.2% vs. 3.8%) (Figure 23)

- The average annual percentage increase in gross sales was 68% higher than the average annual percentage increase in local sales tax revenue after improvements (1989-90 9.25% vs. 5.51%) (Figure 23)

Impact of the Physical Improvements

Obviously, the most significant factor regarding the potential impact on sales in this case study was the change in the size of the business -- a 66% reduction in square footage. The physical improvements and shift in product emphasis both contribute to the image of the business in its new location, but these changes are a direct result of the change in location and the corresponding decrease in size.

The business owner indicated that the physical improvements have had an impact on the sales by attracting new customers. The image of the business has drastically changed. The owner notes that the business now projects a progressive, modern image as compared to the former outdated image.

The owner identified the significant decrease in occupancy costs as a major benefit of the move. He noted that the reduction in square footage resulted in lower insurance and property tax costs and that the quality of the new space resulted in a decrease in utility and maintenance costs. The owner cited improved relations between landlord and tenant as an intangible benefit of the move. In his former space, the business owner as a tenant was responsible for all building maintenance and repairs; he stated that it was difficult to justify costly maintenance when he did not own the building nor see the potential for major improvements in the condition or appearance of the building. The owner is very satisfied with the improvements and definitely considers it worth his investment, "he only wished he had done it sooner."

CHAPTER 4

DATA ANALYSIS

Comparison and Summary of Case Studies

The matrix in Figure 24 allows comparison of the individual case studies. A second matrix, Figure 25, provides a summary of all case studies.

Analysis of Cumulative Results

The following analysis is based on an interpretation of the cumulative results of the case studies. It involved an examination of the empirical data, a comparison of the results, and the identification of common factors and consistent trends. The basic assumptions and limitations of the research are outlined below[37].

Basic Assumptions/Limitations/Selection Bias

- Atypical downtown environment -- active improvement efforts, high level of design awareness and activity, presence of historic character
- Atypical business owners -- high level of local involvement/leadership
- Threshold quality of physical improvements/predisposition to high quality
- Threshold scope for physical improvements (exterior facade)
- Sample size
- Diversity of sample in terms of general profile characteristics
- Estimate of occupancy costs does not reflect actual impact of financing terms, financial incentives nor tax implications

[37]The basic assumptions and limitations of the research design are described in detail in Chapter 2 - Methodology.

	1	2	3	4	5	6
BUSINESS PROFILE						
Type (Rest. - Restaurant)	Retail	Retail	Rest.	Service	Rest.	Retail
Years of Operation	44	26	7	14	24	17
Rents/Owns Building	Rent	Own	Own	Own	Own	Rent
Size (Square Footage)	4000	13000	2700	1600	4000	2000
Geographic Location (MW-Midwest, SE-Southeast)	MW	SE	MW	MW	SE	MW
City Population	11000	18000	5000	12000	6000	40000
BUILDING/BUSINESS IMPROVEMENTS						
Scope of Physical Improvements:						
Facade (% of Total Project)	12	20	95	25	30	20
Upper Facade	✓	✓	✓	✓		
Storefront	✓	✓	✓	✓	✓	✓
Awning and/or Business Sign(s)	✓	✓	✓	✓	✓	✓
Roof (% of Total Project)	3				10	
Structural (% of Total Project)	5	50				
HVAC/Electrical/Plumbing (% of Total Project)	4	10		10	10	40
Interior Fixtures/Finishes (% of Total Project)	76	20	5	65	50	40
Utilized Design/Technical Assistance			✓	✓		✓
Cost of Improvements: (Total $)	50,000	50,000	40,000	80,000	200,000	50,000
Cost of Facade Improvements(Included in Total)	10,000	10,000	38,000	20,000	60,000	10,000
Utilized Financial Incentives		✓	✓	✓	✓	
Concurrent Business Improvements:						
None			✓	✓	✓	
Merchandise Lines/Inventory	✓					✓
Merchandising Layout/Displays	✓	✓				✓
Business Hours	✓					
Marketing/Advertising	✓					
Services Offered	✓					
Change in Size (square footage) of Business		✓			✓	✓
IMPACT OF PHYSICAL IMPROVEMENTS						
Occupancy Costs (as a % of Gross Sales):						
% Change Before/After	+79.3	+83.1	+2.5	+29.4	+100	-65.9
Gross Annual Sales:						
Annual % Increase The Year After	+500	+582	+16.0	NA	+175	+88.2
% Change in Sales/Square Foot Before/After	NA	-27.1	NA	NA	+30.2	+269
Average Annual % Increase Before	6.3	4.4	23.4	NA	8.8	10.0
Average Annual % Increase After	9.1	20.8	30.1	NA	45.9	9.3
% Change Before/After	+33	+372	+290	NA	+422	-7.7
Local Sales Tax Revenue:						
Average Annual % Increase Before	7.3	7.9	6.0	NA	-1.3	3.8
Average Annual % Increase After	9.3	10.5	6.0	NA	+13.5	5.5
% Change Before/After	+27	+32.9	0	NA	+1138	+45
Comparison of Sales to Sales Tax Revenue:						
% Difference in Avg. Annual % Increase Before	-7.4	-44.3	+290	NA	+115	+164
% Difference in Avg. Annual % Increase After	-2.2	+98	+402	NA	+329	+68
Business Owner Response:						
Extent to which Owner Attributes Increase in Sales to Physical Improvements: Significantly	✓	✓	✓		✓	
Somewhat				✓		✓
Received Favorable Customer Response	✓	✓	✓	✓	✓	✓
Experienced Additional Intangible Benefits	✓	✓	✓	✓	✓	✓
Satisfied with Improvements/Worth Investment	✓	✓	✓	✓	✓	✓

Figure 24 Comparison of The Individual Case Studies

DESCRIPTION	SUMMARY OF RESULTS
BUSINESS PROFILE	
Type	3 - Retail, 1 - Professional Service, 2 - Restaurant
Years of Operation	Range from 7 to 44 years, average of 22 years
Rents/Owns Building	4 - Own, 2 - Rent
Size (square footage)	2 - Under 2,500, 3 - 2,500-5,000, 1 - Over 10,000
Geographic Location	4 - Midwest, 2 - Southeast
City Population	2 - 5,000-10,000, 3 - 10,000-20,000, 1 - Over 20,000
BUILDING/BUSINESS IMPROVEMENTS	
Scope of Physical Improvements:	
Facade:	All involved facade improvements (averaging 34% of total)
Upper Facade	4 involved improvements to the upper facade
Storefront	All 6 involved storefront improvements
Awning and/or Business Sign(s)	All 6 involved new business signs and/or awnings
Roof	2 involved roof repairs (averaging 7% of total)
Structural	2 involved structural repairs (averaging 28% of total)
HVAC/Electrical/Plumbing	5 involved HVAC/Elec./Plumb.(averaging 12% of total)
Interior Fixtures/Finishes	All involved interior improvements (averaging 43% of total)
Utilized Design/Technical Assistance	3 utilized design/technical assistance
Cost of Improvements: (Total $)	Ranged from $40,000 - $200,000, average $78,333
Cost of Facade Improvements(included in total)	Ranged from $10,000 - $60,000, average $24,667
Utilized Financial Incentives	4 utilized financial incentives
Concurrent Business Improvements:	
None	3 made no concurrent changes
Merchandise Lines/Inventory	2 made changes in merchandise lines/inventory
Merchandising Layout/Displays	3 made changes in merchandise layout/displays
Business Hours	1 made changes in business hours
Marketing/Advertising	1 made changes in marketing and advertising
Services Offered	1 made changes in the services offered
Change in Size (square footage) of Business	3 involved a change in the size of the business
IMPACT OF PHYSICAL IMPROVEMENTS	
Occupancy Costs (as a % of Gross Sales):	
% Change Before/After	Ranged from a 65.9% decrease to a 100% increase; an average increase of 38%
Gross Annual Sales:	
Annual % Increase The Year After	Ranged from a 16% to 582% increase, an average increase of 272%
% Change in Sales/Square Foot Before/After	Ranged from a 27.1% decrease to a 269% increase, an average increase of 91% (among the 3 businesses with a change in size)
% Change in Avg. Annual % Increase Before/After	Ranged from a 7.7% decrease to a 422% increase, an average increase of 222%
Local Sales Tax Revenue:	
% Change in Avg. Annual % Increase Before/After	Ranged from a 27% to a 1138% increase, an average increase of 249%
Comparison of Sales to Sales Tax Revenue:	
% Difference in Avg Annual % Increase Before/After	Ranged from -44.3% to +290, an average of +104% before; and from -2.2% to +402, an average of +179% after (72% higher than before)
Business Owner Response:	
Extent to which Owner Attributes Increase in Sales to Physical Improvements	4 stated that the improvements significantly impacted the increase in sales; 2 stated that they somewhat impacted the increase in sales
Received Favorable Customer Response	All 6 received favorable customer response
Experienced Additional Intangible Benefits	All 6 noted various intangible benefits
Satisfied with Improvements/Worth Investment	All 6 expressed their satisfaction with the improvements

Figure 25 Cumulative Summary of Case Studies

Business Profile

The limited number of six case studies is too small, and too diverse of a sample to infer relationships between general profile characteristics such as the type of business, size of business, number of years in business, population of community, geographic location, and the impact of the physical improvements. Nevertheless, it is interesting to note,

- The restaurants experienced a greater increase (192%) in the average annual percentage increase in gross sales after improvements than did the retail businesses in the study -- averaging a 38% average annual increase compared to a 13% average annual increase by the retail businesses.

Building/Business Improvements

Scope and Cost of Physical Improvements

Scope of improvements -- In order to be considered for inclusion in the study, the physical improvements in each case study had to include facade improvements visible from the exterior. The precise scope of improvements varied with each case study, however, all of the case studies had three elements in common.

- The physical improvements in each of the case studies included: storefront improvements, installation of new business signs and/or awnings, and interior remodeling including fixtures and/or finishes.

- Four of the six projects also involved repairs or improvements to the upper facade and five of the six projects included heating/ventilating/air conditioning, electrical, and/or plumbing repairs or improvements.

- The similarity in the scope of improvements (all case studies involved storefront improvements, business signs and/or awnings, and interior improvements) precluded any major distinctions in the level of impact of the physical improvements based on scope.

Quality of improvements/Use of design assistance -- Given the threshold quality controls built into the research design[38], it is not plausible to consider a potential relationship between use of professional assistance and the quality of the improvements nor a relationship of either to the impact on sales.

- One half (3) of the case studies utilized professional design or technical assistance through their local/state downtown programs or a private architect.

- There was no obvious distinction in the level of quality in the improvements among the case studies.

Cost of improvements -- The total cost of physical improvements in the case studies ranged from $40,000-$200,000.

- Of the total cost of the improvements, the cost of the facade improvements ranged from $10,000-$60,000, resulting in an average of $24,667 -- approximately one third of the total cost of the physical improvements.

- Considering the scope of physical improvements, it is significant to note that interior improvements averaged 43% of the total project costs, an amount greater than the portion spent on facade improvements, which averaged 34% of the total project costs.

- Additionally, in five of the six case studies, the percentage of the total project costs spent on interior improvements was equal to or greater than the amount spent on facade improvements.

    - The one case study (#3) in which facade improvements accounted for 95% of the total cost of improvements, experienced a 290% increase in the average annual percentage increase in gross sales after improvements (the third highest increase in the group).

    - This counters a presumption that interior improvements might be the determining factor impacting the increase in sales.

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[38]See Chapter 2 - Methodology, for a description of the assumptions and limitations regarding the quality of improvements.

- One might also presume that the more money spent on improvements, the greater the impact --
  - Case Study #5, with the highest cost of improvements ($200,000), did have the greatest increase (422%) in the average annual percentage increase in sales after improvements and the third highest increase in the year after improvements (175%).
  - However, *Case Study #2* experienced the second highest increase (372%) in the average annual percentage increase in sales after improvements and the greatest increase in the year after improvements (582%) with a total cost of improvements of $50,000.
  - These results do not confirm or deny the common belief that the greater the investment, the greater the impact.

Use of financial incentives -- Many communities use financial incentives as a means to encourage quality, "appropriate" improvements and as a tool for motivating owners to implement improvements.

- Four of the six owners utilized financial incentives (state/local grants or low-interest loans, or Federal Investment Tax Credits for the Rehabilitation of Historic Commercial Structures).
- No business owners cited the presence of financial incentives as a motivating factor for implementing the improvements.
- Given the basic limitations and assumptions of the research, it was not possible to explore a relationship between the use of financial incentives and the quality of the improvements, nor the relationship of either to the level of impact.[39]

Rent versus own -- In two of the six case studies, the business owners rented the space occupied by their business. In both of these case studies, the cost of the physical improvements was split between the property owner and the business owner. Consistent with standard practice, the division of

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[39]See Chapter 2 - Methodology, for a description of the assumptions and limitations regarding the quality of improvements and the impact of financial incentives on the cost of improvements.

improvements costs involved the property owner paying for exterior and permanent heating/ventilating/air conditioning, electrical, and/or plumbing improvements and the business owner paying for business signs and interior "leasehold" improvements.

- There was no obvious difference in the scope or cost of improvements between the businesses that rent compared to those that own.

Motivation for the Improvements

The business owners' motivations for implementing the improvements varied yet two prevailing themes were evident. The business owners considered the physical improvements a part of doing business.

- Half of the owners specifically mentioned a desire to demonstrate their confidence and pride in their downtown and community as a motivating factor behind the investment in physical improvements.

- The most common theme among owners' motivation in each of the case studies, was the desire to upgrade or update the image of the business.

  - The owner in *Case Study #3* specifically noted that she wanted the appearance of the building to reflect the quality of the business' merchandise and service.

  - The owner in *Case Study #4* stated that the appearance of the building was out-of-date, and that he wanted to update the image to distinguish himself from his competition.

  - The owner in *Case Study #1* stated that such improvements are essential to maintaining a viable business in a competitive marketplace.

  - The owner in *Case Study #3* noted that as a business owner, one must invest in the business and present a positive image.

Additional Business Improvements

One of the foremost challenges in designing this research was the obvious difficulty in isolating the impact of the physical improvements -- even if a business implemented physical improvements and experienced an increase in sales, can one really infer direct cause and effect? To explore this issue and identify common factors related to the impact of the physical improvements, business owners were asked to identify any additional changes in business operations that were implemented at the same time as the physical improvements.

Changes in the size of the business -- Three of the case studies involved a change in the size of the business.

- Two businesses acquired adjacent properties and expanded their business in the same location.

- One business moved to a smaller location directly across the street from its former location.

- In each of the three case studies involving a change in square footage, the business owners noted the difficulty in separating the impact of the physical improvements from the impact of the change in size because the improvements were implemented as a direct result of the change in size.

Changes in business operations -- Aside from the change in business size, three of the owners indicated that they implemented changes in the operation of their business in conjunction with the physical improvements.

- All three implemented changes in merchandise layout and displays, two made changes in merchandise lines/inventory, and one made comprehensive changes including business hours, marketing/ advertising, and services offered.

- Among the case studies, the most common concurrent change in business operations was in merchandise layout and displays.

- All case studies involved some level of interior remodeling including installation of new fixtures and/or finishes; it is reasonable that merchandise layout and displays would be changed in conjunction with interior improvements.

- One half of the owners (3) indicated no concurrent changes in business operations.
  - One of these businesses was *Case Study #5* which involved an expansion in the size of the business.
  - Therefore, of the six businesses, two made no additional changes in conjunction with the physical improvements.

Relationship between additional changes and the impact on sales -- The sales data does not demonstrate an obvious distinction in the level of impact on sales among case studies implementing only physical improvements and those implementing concurrent changes in business operations with the physical improvements.

- The one possible exception is the impact of the business expansions in *Case Studies #2 and #5*.
  - These two businesses experienced significant increases in gross sales after the improvements -- they had the greatest increase in the average annual percentage increase in sales (372% and 422%) and were among the top three in the annual percentage increase the year after improvements (582% and 175%).
  - In an attempt to account for the change in square footage, sales per square foot was examined in the case studies involving a change in the size of the business[40].
  - *Case Study #2* expanded its size 100% and experienced a 582% increase in the annual percentage increase in gross sales the year after improvements which equates to a 27.1% decrease in sales/square foot.

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[40]Sales/square foot figures were not used throughout this analysis due to the fact that the size of the majority of downtown businesses is determined by the size of space available rather than the space requirements of the business renting the space.

- *Case Study #5* expanded the size of the business by 60% and experienced a 175% increase in the annual percentage increase in gross sales the year after improvements which equates to a 30.2% increase in sales/square foot.

- With contrasting results, *Case Study #1*, involving the greatest number of concurrent business changes, realized the second highest annual percentage increase (500%) in gross sales the year following the improvements.

- Yet *Case Study #3*, with no concurrent business changes, experienced the third highest increase (290%) in the average annual percentage increase in gross sales after improvements (behind only the two businesses that expanded their square footage).

- In summary and as anticipated, it is virtually impossible to isolate the impact of physical improvements from the impact of concurrent changes in business operations.

- However, the presence of concurrent changes, with physical improvements, did not result in a recognizable difference in the level of impact on gross sales.

Impact of Physical Improvements

Occupancy Costs

Annual occupancy costs were analyzed as a percentage of gross annual sales before and after improvements[41]. This analysis is based on the thought that an increase in occupancy costs (as a result of the investment in improvements) would be countered, at least in part, by a resulting increase in sales.

- Five of the six businesses experienced an increase in occupancy costs as a percentage of gross sales after improvements -- an average increase of 38%.

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[41]See Chapter 2 - Methodology, for a description of how occupancy costs were calculated including the assumptions made regarding the use of financial incentives and the method of financing the cost of improvements.

- The only exception was *Case Study #6* in which the business experienced a 65.9% reduction in annual occupancy costs as a percentage of gross sales after improvements (due primarily to a concurrent reduction in the size of the business).

- One business, *Case Study #6*, specifically cited a reduction in utility and maintenance costs after improvements.

The impact of the physical improvements could vary significantly with each element of occupancy costs. For instance property taxes may rise as a result of an increase in the assessed valuation of a property after improvements. An increase in taxes, however, might be offset by a reduction in utilities or building maintenance as a result of more energy efficient, newly rehabilitated space. Insurance can go both ways -- it could increase as a result of higher value or replacement costs of newly rehabilitated space, or decrease because of new wiring (a safer, less hazardous space).

- It was not possible to identify consistent trends in the individual elements comprising occupancy costs due to lack of the consistency and accuracy of individual figures[42].

- The analysis of occupancy costs did not reveal any particular insight, but rather, confirmed the obvious -- an increase in the occupancy costs after improvements.

- Although five out of five case studies[43] experienced an increase in the annual percentage increase in gross sales the year after improvements, the investment in physical improvements resulted in an increase in occupancy costs as a percentage of gross sales, in five of the six case studies.

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[42]A number of the individual expenses were estimated by the owners, extrapolated from figures including unrelated costs, and/or were acknowledged to include additional costs such as utilities or maintenance for upper level apartments.

[43]One case study was excluded from the analysis of sales performance after improvements because no "after" data was available (the improvements were completed in 1994). Therefore, the total number of case studies became five rather than six.

Gross Annual Sales[44]

Increase in sales the year after improvements -- The initial analysis of the impact of physical improvements on gross sales compared sales performance the year following improvements to the year before improvements.

- All five businesses experienced an increase in the annual percentage increase in gross sales the year after improvements -- an average increase of 272%.

Sustained increase in sales after improvements -- One might reasonably attribute an increase in sales immediately following improvements to a reaction to the newness of the improvements, the novelty of change, or the curiosity of observers, rather than a sustainable increase resulting from the physical improvements. Acknowledging this possibility, the average annual percentage increase in sales for a period after improvements was compared to the average before improvements.

- Sales performance in the majority of case studies confirmed the presumption that the initial impact on sales, in the year after improvements, was greater than the average increase sustained for a period of years following the improvements.

- However, the vast majority, four of five businesses, experienced an increase in the average annual percentage increase in gross sales after improvements -- an average increase of 222%.

    - The only business that did not experience an increase in the average annual percentage increase in gross sales after improvements was *Case Study #6*, the business that reduced its size by 60%; however this business experienced a reduction in the average annual percentage increase after improvements of only 7.7%. Given the reduction in square footage, it is interesting to note that *Case Study #6* actually saw a 269% increase in sales/square foot the year following the improvements.

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[44]One case study was excluded from the analysis of sales performance after improvements because no "after" data was available (the improvements were completed in 1994). Therefore, the total number of case studies became five rather than six.

Significance of increase in sales after improvements -- To put the resulting sales increases in perspective, the average annual percentage increase in gross sales was compared to the average annual percentage increase in local sales tax revenue for the same period before and after improvements.

- The sales performance of three of the five businesses was above the trend of local sales tax revenue before improvements.
- The sales performance of four of the five businesses was above the trend of local sales tax revenue after improvements.
- The sales performance of four of the five businesses improved in relation to trends in local sales tax revenue (the margin of difference) after improvements.
- The percentage difference between gross sales and sales tax revenue ranged from -44.3% to +290%, an average of +104% before improvements.
- Following improvements, the percentage difference ranged from -2.2% to +402%, an average of +179% after improvements.
- This indicates an average increase in the margin between sales performance and local sales tax revenue trends of 72% after improvements.
    - Only one of the five businesses experienced sales performance below the level of trends in local sales tax revenue -- *Case Study #1* at 7.4% before improvements and 2.2% after improvements (narrowing the margin after improvements).

Personal Responses/Comments from Business Owners

In order to keep the business owners' responses regarding the impact of the physical improvements in context, it is important to reiterate the fact that four of the six business owners specifically noted the difficulty in separating the impact of physical improvements from the impact of other changes made at the same time.

Impact of the physical improvements on gross sales -- When asked to what extent they attribute their increase in sales to the physical improvements,

- Four of the six business owners responded significantly.
- Two of the six business owners responded somewhat.
- Four owners stated that the impact resulted primarily, in the attraction of new customers.

Intangible benefits -- All of the business owners reported favorable customer response to the improvements and all noted that they have experienced additional intangible benefits from the improvements.

- Identified as a motivating factor for implementing physical improvements, personal and community pride was also cited by owners as a benefit or result of the improvements.
  - One owner stated that locals want to do business with someone who cares about the community, implying that the physical improvements demonstrated the owner's commitment to, and pride in, the community.
- Two owners identified a positive impact on workers --
  - One noted that the store was more comfortable to work in.
  - Another owner stated that his employees are proud to work in a business with a progressive, up-to-date image.
- The most frequent response to the inquiry regarding additional benefits/results of the physical improvements, involved a change in the image of the businesses.
  - One owner stated that customers had a new level of confidence in his business as a result of updating the image of the business.
  - The owner of a retail business specifically noted that the improved, up-to-date image received recognition from corporate management and sales representatives which places his business in a better position for partnerships with vendors.

- One of the restaurants noted a 15-20% increase in the ratio of dine-in customers to carry-out and delivery after improvements.

- And the owner of the professional service business noted, being a one-person office the bottom line can't change significantly because he can only see so many people in any given day, however he stated that since the improvements, he is booking up two weeks in advance compared to a couple of days in advance prior to the improvements.

Relationship between the various forms of impact -- Given the limited number and diversity of case studies, the results established no obvious relationship between the level of sales increase, customer response to the improvements, or intangible benefits of the improvements.

Personal satisfaction -- When owners were asked if they were satisfied with the improvements and if they considered the improvements to be worth their investment, the response was unanimously yes, on both accounts.

CHAPTER 5

CONCLUSIONS

Summary of Findings

- The scope of physical improvements in all case studies included three common elements -- storefront improvements, business sign(s) and/or awning(s), and interior improvements (fixtures and/or finishes).

- Of the total cost of the improvements, the cost of the facade improvements ranged from $10,000-$60,000, resulting in an average of $24,667 -- approximately one third of the total cost of the physical improvements.

- In five of the six case studies, the percentage of the total project costs spent on interior improvements was equal to or greater than the amount spent on facade improvements.

- The prevalent motivating factors for implementing physical improvements were demonstrating confidence and pride in downtown/community, and improving and/or updating the image of the business.

- The most common concurrent business improvement was of a physical nature -- merchandise layout and displays.

- Five out of six businesses experienced an increase in occupancy costs as a percentage of gross sales following improvements.

- All businesses experienced an increase in the annual percentage increase in gross sales the year after improvements -- an average of 272% increase.

- A majority of businesses sustained an increase in sales -- an average increase of 222% in the average annual percentage increase in gross sales after improvements.

- Businesses' sales performance increased an average of 179% above trends in local sales tax revenues for the same period after improvements -- a 72% average increase compared to the margin before improvements.

- The restaurants experienced a greater increase (192%) in the average annual percentage increase in gross sales after improvements than did the retail businesses in the study -- averaging a 38% average annual increase compared to a 13% average annual increase by the retail businesses.

- Two-third of the business owners stated that the physical improvements significantly impacted their increase in sales.

- All of the business owners identified some type of intangible benefits from the improvements (personal pride, positive impact on employees, improvements in the image of the business) and all received favorable customer response to the improvements.

- The business owners unanimously expressed personal satisfaction with the improvements and considered the improvements worth their investment.

Conclusions

Following an interpretation of the findings, one may conclude that there is a high probability that the implementation of quality physical improvements will have a positive, recognizable impact on business performance -- including an increase in gross sales.

This conclusion is based on the following major findings:

- After implementing quality physical improvements, the businesses consistently experienced "above average" sales performance. Actual sales data demonstrate:
  - All businesses experienced an increase in the annual percentage increase in gross sales the year after improvements;
  - A majority sustained an increase in the average annual percentage increase in gross sales for a period of time after improvements; and
  - A majority experienced an increase in sales after improvements above their own business's average before improvements, and above the performance of other local businesses for the same period (as indicated by trends in local sale tax revenue).
- All businesses experienced additional positive results after improvements including various intangible benefits and favorable customer response.
- Two-thirds of the business owners stated that the physical improvements significantly impacted the increase in sales.
- And finally, all of the business owners were personally satisfied with the improvements, and considered the improvements worth their investment.

Further Considerations

Reflection on the major findings resulted in the identification of four considerations, potentially relevant to the impact of physical improvements on business performance.

The significance of quality versus quantity -- This research had a built-in threshold for the quality of improvements and a requirement that physical improvements include facade improvements, visible from the exterior. The scope of improvements in all case studies included three common elements: storefront improvements, business signs and/or awnings, and interior improvements. The results of the study did not establish any obvious relationship between the scope of physical improvements or the cost of improvements and the level of impact. The data suggests that quality can occur at any level of expenditure and is not proportionate to the amount spent on improvements. Furthermore, quality improvements may result in a consistent degree of impact regardless of the cost of improvements. The lack of distinction between the scope and/or cost of physical improvements and the level of impact suggests that quality may be more important than quantity in regard to the potential impact of physical improvements.

The significance of isolating the impact of physical improvements from other concurrent business changes -- The most common concurrent changes in business operations were of a physical nature -- merchandise layout/ displays and changes in business size. These two changes could be considered physical improvements although they were not categorized as such throughout the course of this research. If changes in business size and merchandise layout/displays were considered to be "physical improvements," four of the six case studies involved no additional changes in business operations in conjunction with the physical improvements. The sales data established no obvious relationship between the presence of concurrent business

improvements and the level of impact on sales. Owners' attitudes reaffirmed that physical improvements are a part of doing business, as are other types of business improvements. All quality, "appropriate" improvements are indicative of a progressive business and can potentially impact business performance. There is no way to separate the impact of each type of improvement through quantifiable data but this may not be a significant threat given the absence of an obvious relationship between the presence of other concurrent changes and the level of impact of the improvements.

The potential relevance of the business owner's motivation for making the improvements -- The owner in *Case Study #1*, the business that implemented the greatest number of concurrent changes in business operations in conjunction with the physical improvements, stated that his goal was to update the image of his business, that the physical improvements were a significant part of that image, but that the quality of merchandise and service offered by the business equally contribute to that image. This statement raises an important issue for consideration -- the relevance of the owner's motivation for making the improvements. The owner in *Case Study #1* made comprehensive changes in all aspects of his business in an attempt to accomplish his goal of updating the image of the business. In *Case Study #3*, the owner's primary motivation for implementing the improvements was to bring the physical appearance of the building up to a level that reflected the existing quality of food and service. *Case Study #3* involved only physical improvements (95% of which were facade improvements) while *Case Study #1* involved extensive changes in business operations in conjunction with the physical improvements. The primary distinction between these two case studies is the motivation behind the improvements and the resulting difference in scope of improvements. Comparison of case studies suggests that the scope of all improvements -- physical improvements and concurrent changes in business operations -- is directly influenced by the business owner's motivation for implementing the improvements.

The relevance of image (improving/updating the image of a business) as a primary motivating factor for implementing physical improvements -- It is widely accepted that the ability to attract investment is directly related to the potential investor's perception of, and confidence in, the area, business, or item in question. By extending this concept to the ability of a business to attract potential customers, the question becomes, what influences a potential customer's perception of, and confidence in, a business? The image of the business is one of the most significant factors. Although a number of individual variables contribute to the "image" of a business, there is little doubt that physical appearance is a predominant influence.

The emergence of "image" as a common motivating factor for implementing physical improvements, and a common theme among the intangible benefits/rewards resulting from physical improvements, supports the concept that the image of a business has a direct impact on the success of a business. If one recognizes the importance of image, and physical appearance as a dominant influence on image, one must acknowledge the significance of physical improvements in relation to their potential impact on sales.

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APPENDIX

SURVEY INSTRUMENTS

October, 1994

Dear

Thank you for taking the time to visit with me on the phone earlier this week. I sincerely appreciate your willingness to participate in this study.

I am pursuing a Master of Architecture degree at Kansas State University. For my thesis project, I plan to explore the economic impact of physical improvements on retail sales. The study will use actual data collected from downtown business owners to determine occupancy costs as a percentage of gross sales before and after physical improvements. To analyze the significance of any resulting increase in sales after improvements, the increase will be compared to the business's average annual increase in sales and the average annual increase in local sales tax revenue. I expect that the study will have practical value to downtown business owners and downtown revitalization/economic development professionals.

Enclosed is the survey form to collect the necessary data on your project for potential inclusion in my study. Please complete the survey form and return it to me, with photographs/slides and any supporting information, at your earliest convenience. My goal is to complete the survey phase involving retail businesses by November 1 to avoid the holiday season.

If you have any questions, feel free to call. I will return photographs/slides promptly upon review. In addition, I may be in touch by phone after receiving your completed survey form if additional clarification or follow-up is desired.

Thank you in advance for sharing the information on your project. All businesses featured as case studies in the project will remain anonymous. I will treat your data confidentially; the name and location of your business will not be revealed. I do appreciate your time and effort and would be happy to share the final results of this project if you are interested.

Sincerely,

Brenda R. Spencer

cc: source

THE ECONOMIC IMPACT OF PHYSICAL IMPROVEMENTS ON RETAIL SALES
CASE STUDY SURVEY FORM

TYPE OF BUSINESS_____ # OF YEARS IN BUSINESS_____
DO YOU RENT OR OWN THE BUILDING THAT YOUR BUSINESS OCCUPIES? _____

NAME_____ DAYTIME PHONE_____
ADDRESS_____
(This information will only be used to contact the individual completing this survey in the event of questions or follow-up)

1. **FACADE IMPROVEMENTS** - Check the items on the following list that best describe the scope of your facade improvements:

	REPAIR/PAINT-UP/FIX-UP	REPLACE/INSTALL NEW
UPPER WINDOWS	☐	☐
UPPER FACADE	☐	☐
STOREFRONT:		
TRANSOM	☐	☐
DISPLAY WINDOWS	☐	☐
ENTRANCE	☐	☐
AWNING(S)	☐	☐
BUSINESS SIGN(S)	☐	☐
OTHER: _____	☐	☐

The facade improvements in each case study will be reviewed using the Secretary of Interior's Standards for Rehabilitation in order to presume a consistent standard of quality regarding the improvements in all of the case studies.

Please enclose photographs/slides showing the building before and after improvements. Photographs will not be included in the report because they could reveal the identity of the business. All photographs/slides will be returned promptly upon review.

2. **OTHER PHYSICAL IMPROVEMENTS** - Check any additional physical improvements that were completed in conjunction with the facade improvements described above:

☐ ROOF
☐ HVAC
☐ INTERIOR FINISHINGS
☐ OTHER _____
☐ STRUCTURAL
☐ ELECTRICAL/PLUMBING
☐ INTERIOR FIXTURES

3. **COST OF PHYSICAL IMPROVEMENTS** - Total Cost: $_____
If renting, who paid for improvements? Property Owner/Business Owner - circle one.

Provide a rough breakdown of the improvement costs by estimating the percentage of the total cost spent on each of the categories listed below:

FACADE IMPROVEMENTS	____%
ROOF	____%
STRUCTURAL	____%
HVAC/ELECTRICAL/PLUMBING	____%
INTERIOR FINISHINGS/FIXTURES	____%
OTHER_____	____%
TOTAL	100%

4. **CHANGES IN BUSINESS OPERATIONS** - Check any significant changes that were implemented at the same time as the physical improvements:

- ☐ MERCHANDISE LINES/INVENTORY
- ☐ MERCHANDISING LAYOUT/DISPLAYS
- ☐ MANAGEMENT
- ☐ OTHER _____
- ☐ MARKETING/ADVERTISING
- ☐ BUSINESS HOURS
- ☐ SERVICES OFFERED

5. **COST/SALES DATA** -

	BEFORE IMPROVEMENTS	YEAR OF IMPROVEMENTS	AFTER IMPROVEMENTS
YEAR:	19_____	19_____	19_____
SQUARE FOOTAGE:	_____	_____	_____
OCCUPANCY/BUILDING COSTS:			
(Circle A-annually/M-monthly for each)			
RENT* (A or M)	_____	_____	_____
PROPERTY TAXES* (A or M)	_____	_____	_____
INSURANCE* (A or M)	_____	_____	_____
UTILITIES* (A or M)	_____	_____	_____
MAINTENANCE* (A or M)	_____	_____	_____
OTHER _____ (A or M)	_____	_____	_____
GROSS ANNUAL RETAIL SALES:	_____	_____	_____
ASSESSED VALUATION:	_____	_____	_____

* Please note if some or all of the expenses such as taxes, insurance, etc. are included in the rent figure.

6. **IMPACT OF PHYSICAL IMPROVEMENTS** - If your business has experienced an increase in sales or services following improvements, to what extent do you attribute the increase to the physical improvements?

☐ COMPLETELY ☐ SIGNIFICANTLY ☐ SOMEWHAT ☐ NOT AT ALL

7. **ANNUAL GROSS RETAIL SALES** for the 3-5 years prior to improvements (Note - These figures will only be used to calculate the average annual increase in sales):

#1 (19__) - $_____ #2 (19__) - $_____ #3(19__) - $_____
#4 (19__) - $_____ #5 (19__) - $_____

OR AVERAGE ANNUAL INCREASE IN GROSS RETAIL SALES:

_____% based on 19_____ - 19_____ sales figures.

8. **ANNUAL LOCAL SALES TAX REVENUE** for the 3-5 years prior to implementing improvements (Note - These figures should be easily obtained from your local downtown Program, Chamber of Commerce or City Hall):
Figures are City/County -circle one.
Please note any change in tax rate or other factors impacting revenue.

#1 (19__) - $_____ #2 (19__) - $_____ #3(19__) - $_____
#4 (19__) - $_____ #5 (19__) - $_____

FEEL FREE TO ATTACH ADDITIONAL COMMENTS OR INFORMATION ON YOUR PROJECT.
THANK YOU FOR YOUR TIME AND WILLINGNESS TO PARTICIPATE IN THIS STUDY!
CHECK THIS BOX IF YOU WISH TO RECEIVE A COPY OF THE RESULTS OF THE STUDY ☐

Questions for Follow-up Phone Interview

1. What was your motivation for making the physical improvements?
   [i.e. Community-wide beautification efforts/focus on improvements/peer pressure, incentive programs, general maintenance/ necessary repairs/building code/ADA requirements, or change/improve image/attract new customers]

2. Describe your downtown's physical environment.
   [i.e. does presence of historic/architectural character, public improvements, high level of design activity, etc. impact scope or quality of improvements?]

3. Did you utilize design assistance or financial incentives in your improvement project?
   [i.e. investment tax credits, local loan/grant programs, technical assistance through local/state downtown program, architect.]

4. How did the physical improvements impact your sales?
   [i.e. Attracted new/additional customers or increased average purchase among existing customers]

   Did your customers notice/comment on the physical improvements? If yes, has the response been favorable?

5. Have you experienced any other impact from the physical improvements? Any intangible benefits/rewards (recognition/pride)?

6. Please describe any concurrent changes in business operations. Which change, including the physical improvements, do you <u>believe</u> had the <u>most impact</u>? Why?

7. Are you satisfied with the physical improvements? In hindsight, was it worth the investment? What, if anything, would you change if you were doing it again?

8. Do you have any additional comments/observations regarding the impact of your improvement project?